

Storage and Supply Activities

Physical Inventory Control

**Headquarters
Department of the Army
Washington, DC
12 March 2003**

UNCLASSIFIED

SUMMARY of CHANGE

AR 740-26

Physical Inventory Control

This revision, dated 12 March 2003 -

- o Formalizes Automatic Identification Technology (AIT) policy as it pertains to physical inventory control (paras 1-4a, b, and d; 1-5a(14) and (15); 1-5b(7); 1-5g(6); 5-2a,f, and g; and 5-3d and g).
- o Updates references to other publications (appendix A and throughout).
- o Defines Automatic Information System and Automatic Identification Technology (glossary).

The revision dated 19 November 2001 -

- o Updated reporting requirements (chap 1).
- o Added a Certificate of Research, DA Form 7436 (fig 1-1).
- o Rescinded requirements to submit the quarterly Inventory Control Effectiveness (ICE) Report and rescinds DA Form 3553-R.
- o Updated the inventory procedures (chap 2).
- o Updated the Location Record Survey procedures (chap 3).
- o Updated the Location Record Audit/Match procedures (chap 4).
- o Updated the physical inventory quality controls (chap 5).
- o Added a Management Control Process Checklist (app B).
- o Updated the mission and functions of the national inventory control point (NICP), Central Inventory Accounting Branch (CIAB) (app C).
- o Updated the Standard Organization for Storage Activity Inventory Management Division (app D).
- o Updated the Minimum Inventory Training Subjects (app E).
- o Updated the Uniform Basic List of Sensitive Items (app F).
- o Updated the Minimum Research Requirements for Potential and Actual Adjustments (app G).
- o Updated the Quality Control Sampling table (app H, table H-1).
- o Deleted the Inventory Category Codes appendix.

- o Deleted the Sampling Plan appendix.
- o Deleted the Classifications of Error Conditions appendix.
- o Deleted the Zero Balance Flasher Card appendix.
- o Deleted the Sampling Table for Location Survey appendix.

Effective 14 April 2003

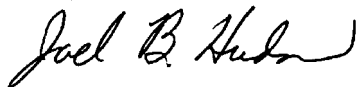
Storage and Supply Activities

Physical Inventory Control

By Order of the Secretary of the Army:

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General, United States Army
Chief of Staff

Official:



JOEL B. HUDSON
Administrative Assistant to the
Secretary of the Army

History. This publication is a rapid action revision. The portions affected by this rapid action revision are listed in the summary of change.

Summary. This revised regulation updates DA policy and procedures for physical inventory of materiel. It includes new policy and guidance for rescheduling inventories, inventory control, and accountability of materiel in total package fielding; reversal of transactions, recording, requesting, reporting, and reconciling inventory counts; and accountability at the storage activity. Where applicable, it ensures compliance with automatic identification technology (AIT) policy as prescribed by the DOD Implementation Plan for Logistics AIT (<http://www.dodait.com/>).

Applicability. This regulation applies to Active Army worldwide national supply activities responsible for operating storage activities (the term *storage facilities* will apply to depots, depot activities, Government-owned, contractor-operated and Government-owned, Government-operated plants, arsenals, and installation supply activities storing national assets under the

central asset management concept); national inventory control points; stock control activities; unit materiel fielding points; staging areas; program executive officers (program/project/product managers); computer and communication centers supporting the above; and depot maintenance facilities. Included in the inventory procedures in this regulation are principal items, packaged fuels, secondary items, non-nuclear weapons, materiel at contractor-owned/operated facilities when assets are maintained on national accountable records (for example, assets being repaired with P7M funds or national Defense Business Operating Fund), forms and publications, and subsistence. Excluded from the inventory procedures in this regulation are bulk petroleum, nuclear weapons, materiel at the contractor-owned/operated facilities when assets are not maintained on national accountable records (for example, Government-furnished materiel to be consumed during an overhaul contract), industrial plant equipment reportable to Defense Supply Center—Richmond, Virginia, special weapons, and certain medical materiel. This regulation does not apply to the Army National Guard of the United States or the U.S. Army Reserve. Ammunition has been exempted from the requirement to transfer accountability to the storage activity; therefore, the ammunition accountable record (class V) will remain at the national inventory control point.

Proponent and exception authority. The proponent of this regulation is the Deputy Chief of Staff, G-4 (DCS, G-4). The DCS, G-4 has the authority to approve exceptions to this regulation that are consistent with controlling law and regulation. The DCS, G-4 may delegate this approval authority, in writing, to a division chief within the proponent

agency who holds the grade of colonel or the civilian equivalent.

Army management control process.

This regulation contains management control provisions and, at appendix B, identifies key management controls that must be evaluated.

Supplementation. Supplementation of this regulation and establishment of command and local forms are prohibited without prior approval from the DCS, G-4 (ATTN: DALO-SMP), 500 Army Pentagon, Washington, DC 20310-0500.

Suggested improvements. Users are encouraged to send in comments and suggested improvements to this regulation. The preferred method for sending in comments and suggested improvements is through the Deputy Chief of Staff, G-4 Publications Management System, using an Electronic Change Request. Access to the system can be gained through the Internet by going to the Logistics Integration Agency home page at www.lia.army.mil and entering the home page for “Logistics Regulations and Pamphlets.” If an individual does not have access to the Internet, comments and suggested improvement should be submitted on a DA Form 2028 (Recommended Changes to Publications and Blank Forms). DA Forms 2028 pertaining to this regulation should be mailed to the Director, USAMC Logistics Support Activity (ATTN: AMXLS-R), Redstone Arsenal, AL 35898-7466.

Distribution. This publication is available in electronic media only and is intended for command levels C, D, and E for the Active Army, Army National Guard of the United States, and U.S. Army Reserve.

*This regulation supersedes Army Regulation 740–26, dated 19 November 2001.

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Chapter 1 Introduction

1-1. Purpose

a. This regulation provides Department of Army (DA) policy, procedures, performance objectives, and reporting requirements concerning physical inventory control of Army assets managed by national-level activities. Included are uniform procedures to—

- (1) Maintain accurate accountable records.
- (2) Conduct physical inventories.
- (3) Conduct location surveys and location reconciliations.
- (4) Research inventory discrepancies and causes for adjustments.
- (5) Set up quality control of work processes affecting inventory accuracy.
- (6) Measure performance for cost effectiveness among inventory systems.
- (7) Report and measure effectiveness of physical inventory control.

b. These policies and procedures will improve the accuracy of inventory control and asset information in the Army national supply system.

1-2. References

Required and related publications and prescribed and referenced forms are listed in appendix A.

1-3. Explanation of abbreviations and terms

Abbreviations and special terms used in this regulation are explained in the glossary.

1-4. Responsibilities

a. *Commanding General, U.S. Army Materiel Command (AMC).* The Commanding General, AMC will—

- (1) Provide command emphasis to the physical inventory control program.
- (2) Furnish resources to ensure compliance with this regulation.
- (3) Assure that the procedures implementing the policies contained in this regulation are distributed to all subordinate activities in a timely manner.
- (4) Evaluate the performance and effectiveness of the inventory and location systems. Make recommendations for improving the overall program.
- (5) Evaluate the effectiveness of the inventory program and location system in terms of the responsiveness to their materiel management requirements (management control provisions to be evaluated are listed in app B).
- (6) Provide policy necessary to establish and maintain a location system for all items with the prerogative of maintaining accountable records for all items of responsibility.
- (7) Furnish required consolidated reports of inventory control in accordance with this regulation.
- (8) Designate an inventory coordinator and an alternate.
- (9) Ensure that the appropriate use of AIT to enable and facilitate data collection and transmission of automated information systems (AIS) as prescribed by the DOD AIT Implementation Plan is used along with other policy documents pertaining to AIT.

b. *Commanders of accountable activities.* Commanders of accountable activities will—

- (1) Provide command emphasis and furnish personnel and automatic data processing (ADP) support to ensure compliance with this regulation.
- (2) Establish or designate a central inventory accounting organization as shown in appendix C or D to administer the inventory program and related functions prescribed in this regulation.

Note. The accountable property officer must be independent of the inventory organization. Small scale national inventory control points (NICPs) may be exempt from the original breakout shown in appendix C. However, they will establish a single organization to perform the inventory functions of this regulation. These organizations will report directly to the chief of the materiel management activity, the chief of the distribution and transportation activity, or the chief of the storage activity (SA) supply organization.

- (3) Schedule inventories and reconcile accountable records and asset records with the physical count documents.
- (4) Storage activity commanders will coordinate with NICPs on information concerning capabilities to conduct inventories and to develop plans and schedules relative to inventory requirements.
- (5) Develop quality controls to effectively control errors in the inventory and reconciliation processes.
- (6) Designate an inventory coordinator and an alternate.
- (7) Develop and maintain an inventory training program. It will include the subjects contained in appendix E, to ensure inventory personnel are qualified.
- (8) Ensure that key personnel at the SA conduct at least one project condition/count 5 annually. They will select both general supply items and ammunition items for project condition/count 5. They will also select items and prepare

for a project condition/count 5 to be held during visits of the Department of the Army Deputy Chief of Staff, G-4 (DA DCS, G-4) and AMC teams.

(9) Comply with AIT policies as dictated by the DOD AIT Implementation Plan and other policy documents.

c. Commanders of major Army commands. Commanders of major Army commands (MACOMs) are responsible for ensuring that adequate ADP resources are provided to accomplish the functions required to support the Inventory Control Program.

d. Compliance with AIT policies. Commanders of storage activities will comply with AIT policies as dictated by the DOD AIT Implementation Plan and other policy documents.

1-5. Policies

a. General.

(1) The SA under Approved MILSTRAP Change Letter (AMCL) 8A will be accountable and responsible for assets in its custody. The AMCL 8A SA master data file will be the accountable record. Only personnel charged with maintaining the master data file will be authorized to adjust the accountable record balance.

Note. Ammunition has been exempted from the AMCL 8A requirement to transfer accountability to the SA. The NICP will be accountable for assets at non-national SAs and non-AMCL 8A ammunition SAs (for example, on loan, at a contractor for repair). The national asset record will constitute the accountable record for these assets.

(2) The NICPs and SA inventory organizations will perform the inventory, location survey, and location audit program prescribed in this regulation. It will have personnel highly trained in inventory skills and related supply functions. Automatic data processing and transceiver equipment will handle these functions to the maximum extent practicable.

(3) Documentation related to and supporting the inventory program will be retained for 2 years in accordance with the instructions contained in Army Regulation (AR) 25-400-2.

(4) All inventory requests and inventory count documents passing between the SA and the NICP will be identified by management codes. (See AR 725-50, app C.)

(5) A physical inventory quality control program will be developed and installed. Include as a minimum the checks outlined in chapter 5 of this regulation. This program will identify trends and potential problem areas where corrections are required.

(6) Unless there is control of in-float documentation (provided by SA records), release of items during an inventory will be restricted to priority designators 01-08.

(7) SAs will, through sound storage practices, maintain stocks to facilitate physical counts and location surveys. Stocks will be identified, classified, and marked accordingly. Materiel will be re-warehoused as necessary for efficient inventory accomplishment.

(8) SAs will use the receipts control and follow-up system prescribed in Department of Defense (DOD) 4145.19-R-1. This will assure denials do not occur for materiel recently received.

(9) Sensitive items will be identified in the Army Master Data File (AMDF) contained in Federal logistics (FEDLOG) data by the special control item code as specified in AR 708-1. Items listed in appendix F will be identified as sensitive in the AMDF contained in FEDLOG.

(10) The NICPs will set up standard inventory organizations as outlined in appendix C. Small scale accountable supply distribution activities (ASDAs) (such as, service item control centers (SICC)), may be exempt from the organizational breakout shown in appendix C. These ASDAs, however, will set up a single centralized organization. It will report directly to the chief of the materiel management activity or the distribution and transportation activity. It will perform the inventory functions set forth in this regulation.

(a) SAs will set up standard inventory organizations as outlined in appendix D.

(b) Where the ASDA and the SA are collocated and separate balances are not maintained, the SA will have a central organization to perform the physical inventory functions (physical count and report of counts to the ASDA). It will also physically search storage operations, if requested, by the ASDA.

(11) Inventory organizations will maintain a current inventory-training program. They will also have a related ADP training program to train new personnel in inventory skills and supply functions. The training program will be updated and personnel trained before making significant changes to inventory and related ADP systems and procedures.

(12) An inventory coordinator and an alternate will be designated for the MACOMs, for each NICP and SA within the MACOMs, for each central design activity inventory functional person, and for USAMC Logistics Support Activity (LOGSA). Inventory coordinators will be the primary points of contact for the inventory program. A DOD Principal Inventory Coordinator's Directory is maintained by the LOGSA. As a minimum, it will be updated and published in October of each year. Changes should be forwarded to Director, USAMC LOGSA (ATTN: AMXLS-R), Redstone Arsenal, AL 35898-7466.

(13) Project condition/count 5 will be conducted at least annually by key personnel at the SAs. This will include verifying the quantity, condition code, and location of the materiel with the accountable record. A project condition/

count 5 register will be maintained for 1 year to show who performed the project condition/count 5, the results of each project condition/count 5, and the corrections made.

(14) Ensure compliance with the DOD Implementation Plan for Logistics AIT.

(15) Appropriate automatic identification technology (AIT) procedures will be followed to enable and facilitate data collection and transmission to automated information systems (AIS), as prescribed by the DOD AIT Implementation Plan, along with other policy documents pertaining to AIT.

b. Physical inventory.

(1) The inventory variance rate goal for completed inventories of items other than ammunition is 15 percent or less. The property accountability record accuracy goal for ammunition is 5 percent or less. All variances of ammunition will be considered major variances. The major variance rate for general supplies is 95 percent.

(2) Inventory procedures will control in-float documentation including materiel release orders (MRO), receipts, catalog, and other data changes. The inventory control officer will ensure accurate recording of the inventories. Cutoff dates will be set for selecting a balance for inventory purposes. Controls must ensure consideration of all pre-inventory and post-inventory transactions.

(3) SA stock will be counted by the single count method. See procedures in chapter 2, paragraph 2–6c, of this regulation.

(4) Controlled inventory item code (CIIC) changes must be included in the AMDF contained in FEDLOG.

(5) Physical inventories will be completed within the following timeframes:

(a) Physical count, post-count validation, and adjustment of storage activity accountable or custodial balances within 30 calendar days of the original physical inventory cutoff date (PICD) for all scheduled inventories and within 15 calendar days of the PICD for all unscheduled inventories.

(b) Reconcile SA accountable balances with NIPC asset balances through completion of pre-adjustment research and process adjustments within 3 calendar days of receipt of the daily accountable transactions. This research will be accomplished primarily through systemic processes and will consist of waiting for missing accountable transactions to process.

(6) The SAs will, on a random sampling basis, verify the contents of reusable metal containers (such as, engine containers) during the physical inventory.

(7) Where applicable, AIT technology will be used, and the AIS will be polled to verify and validate the inventory discrepancy.

c. Inventory priorities.

(1) Items will be scheduled for inventory by a selection and prioritization system initiated by the SA. Prioritization will be based on sensitivity, the correction of known errors, and other factors (such as, weapon system significance, the proximity of procurement or maintenance program induction, and the date of the last inventory). SAs will initiate physical inventories of Army-owned assets and Single Manager for Conventional Ammunition (SMCA) stocks in the following priority sequence.

(a) A scheduled statistical sample inventory will be initiated by the SA during the first quarter of the fiscal year (FY). This sample inventory will meet the audit requirements of the Chief Financial Officers Act of 1990 and the Department of Defense (DOD) requirement to calculate a pure inventory accuracy rate. The population will include all lines in storage (such as, all items with a quantity greater than zero or with a zero balance but having a locator record). A member of the population will be a stock number at a SA in a particular condition code. Excluded are assets aboard prepositioned ships, subsistence, and total package fielding (TPF) assets. Because this sample inventory is being run against the SA accountable record, also excluded will be assets for which the NIPC is accountable (for example, assets on loan, or assets at a contractor for repair).

(b) Category I non-nuclear missiles and rockets will be physically inventoried semiannually.

(c) Small arms, narcotics, drug abuse items, alcohol, precious metal, and inert nuclear ordnance materiel will be physically inventoried once each fiscal year. Radioactive items will be inventoried once each fiscal year and/or when requested by the radiation protection officer (RPO). The latter will be due to a suspected quantity discrepancy found during a radiation protection survey.

(d) Locally initiated inventories either as an ammunition site inventory or as a result of an ammunition survey discrepancy.

(e) Spot inventories resulting from materiel release denials.

(f) Nonammunition items with a CIIC of other than J or U.

Note. Classified items shall be safeguarded, controlled, and inventoried in strict accordance with the policies established in AR 380–5 and AR 380–40. In addition, unclassified communications security (COMSEC) materiel designated controlled cryptographic items (CCI) will be physically inventoried at least once annually. The CCI end items will be reported to LOGSA under the Controlled Cryptographic Item Serialization Program (CCISP) by serial number and CCI secondary items under SIMS–X per AR 710–3. Further, the loss, unauthorized access, or mishandling of CCI must be reported as a COMSEC Incident per DA Pamphlet (DA Pam) 25–380–2.

(g) Special inventories initiated by the NIPC of stock numbers that quantitatively mismatched on the annual location record audit/match or the end of day reconciliation.

- (h) Locally initiated inventories as a result of a location survey.
- (i) Locally initiated inventories as a result of file maintenance.
- (j) Special inventories required by NICPs (limited to 5 percent of the NICP's inventory requirement at each SA).
- (k) Special inventories initiated by the installation supply activity (ISA) (limited to 5 percent of the ISA requirements at each SA).
- (l) Locally initiated inventories for other than the above reasons.
- (m) Inventories resulting from the inventory prioritization model.
- (n) As an exception to the priorities above, assets aboard prepositioned ships will, as a minimum, undergo a 100 percent physical inventory of all assets coded other than CIIC J or U during the normal ship maintenance cycle (approximately once every 30 months). The remainder of the assets will, as a minimum, undergo inventories as a result of the inventory prioritization model.

(2) Before an unscheduled physical inventory is requested by an NICP, the date of the last inventory must be determined. If it was taken within the past 90 calendar days, construct a transaction history. From it, determine what the item asset position should be or what caused the imbalance. The exception to this is the scheduled statistical sample inventory, which must be conducted regardless of the date of the last inventory. All unscheduled inventories will be paid for by the requesting activity.

d. Location survey.

(1) The minimum acceptable accuracy level for SA location records of general supplies is 97 percent and 98 percent for ammunition.

- (2) Control stocks stored at Army SAs by maintaining a location system for all items.
- (3) Survey all SA locations at least once a year and more often, if needed, on a perpetual basis throughout the year.
- (4) Where permanent locations are reserved for items, identify recorded locations that are unoccupied and verify them during the location survey.
- (5) Identify items to a lot large enough to permit a location survey in a minimum time, to ensure uninterrupted customer service, and to obtain the greatest accuracy.

(6) Consider items within a lot/segment that have been subject to a complete item inventory to have satisfied the annual survey requirement, when the entire lot/segment is located in a clearly designated coterminous warehouse space. Exclude these inventoried lots/segments from the complete survey for the fiscal year in which they were counted.

(7) The location survey process will validate location records by comparison of computer files to locations and by comparison of locations to computer files.

e. Location record audit/match (LRA/M).

(1) The following procedures apply until implementation of the single item record concept.

(2) U.S. Army SAs will initiate and perform a 100 percent LRA/M annually. The acceptable accuracy level for LRA/Ms for general supplies is 97 percent and 98 percent for ammunition. The LRA/M will include a quantity by condition code match of NICP asset and SA accountable records. The purpose of the LRA/M is to identify and correct the following situations:

- (a) An NICP record with no corresponding storage activity record (type I LRA/M error).
- (b) A storage activity record with no corresponding NICP record (type II LRA/M error).
- (c) A mismatch of any of the following data elements (type III RA/M error):

- 1. Unit of issue.
- 2. Ownership/Manager Identifier.
- 3. Controlled inventory item code (see DOD 4100.39-M reference (II)), Volume 10, Table 61).
- 4. Type of pack code (subsistence only).
- 5. Shelf-life code.
- 6. Date packed/expiration date (subsistence only).

(d) Quantity discrepancy (type IV LRA/M error).

(3) The LRA/M will be run as of the close of business of the second Tuesday in January and transmitted to the NICP prior to 15 January. The SAs will prepare LRA/M request transactions by line item, type of pack, and date packed/expiration date (for subsistence) for each stock number regardless of the balance (includes zero balances). Location reconciliation requests will be identified by document identifier code (DIC) DZH using type of location reconciliation request code 2 in record position (rp) 7. Complete the LRA/M process between update cycles for catalog data at the NICP and the SAs. The NICPs should schedule, by priority, special inventories required as a result of an LRA/M.

(4) To control the LRA/M process:

(a) SAs will advise the NICP of the number of audit/match transactions being forwarded, transmission date, and the medium of transmission (Defense Data Network, mail, and others) using a DIC DZN transaction, Location Reconciliation Notification. The SAs will also advise the NICP of the number of history transactions (DIC DZK) being

forwarded, the cutoff date, and medium of transmission using a DIC DZP transaction, Location Reconciliation History Notification.

(b) If the number of DIC DZH or DIC DZK transactions does not match what was actually received, the NICP may reject the DIC DZN or DIC DZP transaction using DIC DZG (Transaction Reject) with reject advice code AY.

(5) In processing location reconciliation requests, the NICP will match the requests to its records. When a mismatch is programmatically unresolved, DIC D8B/D9B, Inventory Adjustment Increase or Decrease, will be processed to adjust the NICP records.

(6) A physical inventory is not required under the following conditions, except when the mismatch involves classified items, sensitive items, or pilferable items when the extended dollar value of the variance is greater than \$100.

(a) The NICP record will be adjusted without special inventory when the extended dollar value of the variance is \$5,000 or less and 10 percent or less of the beginning value of the variant NICP record for type IV errors.

(b) The NICP record may be adjusted without special inventory when the extended dollar value of the variance is \$5,000 or less for type I and II errors.

(7) When a discrepancy is identified during the location reconciliation program, transmit the following transactions, as appropriate, to the submitting activity:

(a) DIC DZG Transaction Reject.

(b) DIC DZB Storage Item Data Correction/Change.

f. End of day reconciliation (EODR).

(1) The following procedures apply to general supply owners until implementation of the single item record concept.
Note. A monthly audit/match for ammunition replaced the EODR.

(2) The EODR applies to any line item (stock number plus condition code) at a SA that had any transaction processed against it that changed the on-hand record balance during that day. The SA shall submit the daily closing on-hand balance, by owner, to the owner (NICP) using DIC DZH with type of location reconciliation request code 1. The DIC DZH transaction is in addition to the actual transaction that caused the on-hand balance change. The storage activity will routinely transmit the DIC DZH transaction to the NICP.

(3) The SA will submit to the NICP a DIC D8A transaction with zero quantity for each physical inventory that resulted in no adjustment. EODR procedures also apply in this situation.

(4) The SA will process the transactions that affect the on-hand balance first; then, process the EODR DIC DZH transaction. Imbalances between the NICP closing balance for the date on the DIC DZH transaction and the DIC DZH quantity will be programmatically researched using the NICP ADP system to consider in-float, delayed, and duplicate transactions. Regardless of the outcome, the NICP closing balance will be updated with the SAs closing balance using the DIC D8B/D9B transaction.

(5) The NICP may request assistance from the SA to isolate causes of record imbalances. The SA should concentrate on data transmission problems (for example, lost transactions).

g. Research of potential or actual inventory adjustments.

(1) Research potential/actual adjustments between the actual physical count and the accountable record according to the value of the adjustment and type of item involved. Achieve a reduction of erroneous adjustments by degrees of researching before posting the adjustment transaction. Criteria governing this research is in appendix G. This research will be conducted by the accountable activity.

(2) In researching potential/actual adjustments to the accountable record, timely completion is essential. Delay only makes the research more complex and reduces the probability of conclusive results.

(3) The SAs will use a checklist and document causative research. A sample DA Form 7436 for the checklist is at figure 1-1. This form is available on the Internet at www.usapa.army.mil and on the Army Electronic Library (AEL) CD-ROM EM0001.

(4) Accumulate causes of variances for evaluation and analysis. Such analysis is vital to—

(a) Provide the item manager with the reasons for failure in the control systems and insights as to where improvements can be made.

(b) Reduce similar variances in the future.

(c) Ensure that the proper adjustment was made.

(d) Evaluate for corrective actions, trends, or system problems.

(5) When inadequate records preclude a conclusive investigation of discrepancies between the physical counts and the recorded balances for sensitive, pilferable, and controlled (CIICs other than J or U) items, the responsible commander will certify to this effect and outline the corrective action taken. Records are inadequate if during the research, transactions for the item under investigation are missing, unreadable, or the computer ending balances are inaccurate due to machine failure.

(6) Where applicable, AIT technology will be used, and the AIS will be polled to research the potential inventory adjustment by data taken from the AIT device.

h. Reversal of inventory adjustments. Reversal of the DIC D8A/D9A (inventory adjustments) to the accountable

record is a required capability that must be implemented with proper controls and supported by proper documentation. Policy for reversing adjustments is—

(1) If research reveals that a supply transaction (for example, a receipt or an issue) was unposted or posted incorrectly and that there is documentary evidence to that effect by document number, reverse the adjustment and post the supply transaction correctly.

(2) Inventory adjustments must be reversed within 2 years of the date of the original inventory adjustment. This applies even if there was an intervening physical inventory as long as no adjustment resulted from the intervening inventory. If 2 years have elapsed since the original inventory adjustment, a new inventory adjustment will be required.

(3) Reversals will reflect the same national stock number (NSN), quantity, document number, condition code, and management code as the transaction being reversed.

(4) The second level of supervision will approve reversals to supply transactions and inventory adjustments.

(5) Retain copies of reversal transactions, approvals, supporting transaction histories, and supporting documentary evidence for 2 years.

(6) Do not reverse a prior inventory adjustment of equal quantity to resolve a current inventory discrepancy without documentary evidence of a corresponding supply transaction error.

(7) Implement, to the maximum extent possible, automated controls to prevent unauthorized reversals of transactions.

i. Inventory control and accountability of materiel in TPF sites.

(1) Materiel in CIICs other than J or U (sensitive, pilferable, and controlled) must be inventoried if held over 1 year.

(2) SAs will establish the capability to determine when an item in these categories has been at the TPF site longer than 1 year.

(3) SAs will adjust TPF accountable records to inventory counts as specified in paragraph 2–8.

(4) Requests for physical inventory of TPF materiel must be directed by the NICP to the SA inventory management division.

(5) On discrepancies of TPF stock, SAs will prepare and enter TPF stock adjustment documents to adjust the accountable record. Prepare SF 364, Report of Discrepancy, when applicable.

(6) The TPF documentation will be processed in the same manner as reject documents processed for receipts or reclassifications.

(7) NICP inventory activities are responsible for the clearing of credit balances and frozen stock, correction of audit discrepancies, and any other problem affecting the accuracy of the asset record.

(8) Physical inventory, research, and adjustments to TPF materiel will be accomplished as established in this regulation.

j. Accountability for materiel on loan.

(1) Accountability for materiel released on loan per AR 700–131, chapter 3, will be maintained on automated records, in jacket files, and on the NICP accountable record. Accountability requirements do not apply to leased materiel because accountability is transferred to the lessee under the provisions of the Federal Acquisition Regulation (FAR); however, a jacket file will be maintained.

(2) Accounting transactions for the issue and receipt of loaned materiel will be accomplished in accordance with AR 725–50, paragraph 5–34. The purpose of the loan (for example, investigations of fraud, waste, and abuse) will not preclude use of applicable transactions.

(3) Automated records will reflect current AMDF unit price contained in the FEDLOG.

(4) Loan managers will ensure accountable records mirror the data in the automated records they maintain and the jacket files.

1–6. Implementation

Commanders of organizations with national NICPs will develop detailed procedures and training to support the Army Physical Inventory Program.

CERTIFICATE OF RESEARCH <small>For use of this form, see AR 740-26; the proponent agency is DCSLOG</small>					
1. Stock Number 1730-01-187-9432		2. CIIC 7		3. DATE (YYYYMMDD) 20011201	
4. Unit of Issue EACH	5. Quantity 36	5.a. Short <input checked="" type="checkbox"/>	5.b. Over <input type="checkbox"/>	6. Unit Price \$72.91	7. Total Cost \$2,624.76
8. Report to Security (Date & Case Number) 11 DECEMBER 2001 86			9. Requester MS. JOAN SMITH		
10. REASON FOR SHORTAGE		10.a. Denial <input checked="" type="checkbox"/>	10.b. Invent Drop <input type="checkbox"/>	10.c. Other <input type="checkbox"/> Specify	
11. In an effort to resolve the shortage or explain the loss, the following research was conducted: (Check only the blocks which describe the research actually performed).					
All current active locations checked		X	Deleted locations checked for same period as retired transaction history		X
Adjacent and similar locations checked		X	Care and preservation areas checked for material.		X
Receipt holding areas checked		X	Relevant hard copy of documents compared to transaction histories for accuracy of postings. Kinds of documents checked: GBLs, receipts, adjustments, denials, re-identifications, cancellations, repicks.		
Depot Maintenance and Rebuild programs checked to ensure records accurately reflect transactions. Checks included comparison of records and physical search in maintenance area.			DRMO shipments shown on transaction histories compared with actual receipts for errors, duplicates, or missing entries.		
TRANSACTION HISTORIES CHECK ONE OF THE BOXES AT RIGHT FOR ERRONEOUS, DUPLICATE, OR MISSING ENTRIES AND ANY DOCUMENTS WHICH MIGHT OCCUR FOR SHORTAGE:			Field Service <input type="checkbox"/>	Depot Property <input type="checkbox"/>	Other Owners <input type="checkbox"/>
Other (Explain) Transaction history for past 2 years was checked. Found that voucher number WK4GBW0326-3045 for 36 each was posted twice. Corrected shortage by posting this voucher as reversal transaction.					
I certify that I have personally conducted the above research and was unable to resolve the shortage or explain the loss sufficiently to reduce the shortage below the mandatory causative research parameters.					
<div style="text-align: right; margin-right: 100px;"> S/ Joan Smith JOAN SMITH 12. Name, Grade, and Position 20011201 Date </div> <div style="text-align: left; margin-left: 100px;"> S/ Jeffery D. Anderson 13. Concur: JEFFERY D. ANDERSON 2001/12/11 Date </div>					

DA FORM 7436, NOV 01

USAPA V1.00

Figure 1-1 (PAGE 1). Sample of DA Form 7436, Certificate of Research

Legend for figure 1-1.

Completion instructions for DA Form 7436.

1. Enter the stock number.
2. Enter the CIIC.
3. Enter the date.
4. Enter the unit of issue.
5. Enter the quantity short/over.
6. Enter the unit price.
7. Enter the total cost.
8. Enter the date reported to Security (date and case number).
9. Enter the name of the requestor.
10. Check the reason for shortage.
11. Check only the blocks that describe the research actually performed.
12. Enter signature of the researcher along with his/her grade, position, and date of signature.
13. Enter the signature of the item manager providing concurrence if appropriate.

Figure 1-1 (PAGE 2). Sample of DA Form 7436, Certificate of Research—Continued

Chapter 2

Inventory Procedures

2-1. General

a. The Army approach to physical inventory is selective. Resources will be directed toward inventory discrepancies involving controlled/sensitive and high usage items. The general supply count card control listing and the ammunition count card control listing produced by the standard depot system (SDS) may be used for requesting and reporting counts when other means (such as, logistics applications of marking and reading symbology (LOGMARS)) are not available. Transmit inventory count information via ADP systems or communications network.

b. Use controlled inventory item codes (CIICs) to prioritize items of supply for inventory and to identify items for research purposes. Each Army manager and/or SICC will assign CIICs to items for which they are responsible.

c. LOGSA will broadcast CIICs as part of the Army Master Data File (AMDF) change notice. The NICP will use storage item data correction/change transaction (DIC DZB) to broadcast CIIC changes to nonrecipients of AMDF change notices.

d. When the adjustment to the accountable record meets or exceeds the criteria in appendix G, table G-1, the accountable activity will perform causative research. When the causative research results in nonconclusive findings, the accountable activity will initiate a Financial Liability Investigation of Property Loss (FLIPL), DD Form 200, in accordance with the procedures in AR 735-5, chapter 15.

2-2. Planning and scheduling

a. SAs and NICPs will jointly determine the overall inventory requirements, such as, manpower, mechanical, or ADP support, based on—

- (1) Line item population.
- (2) Inventory requirements.
- (3) Known work standards.

b. SAs will complete physical inventory count, postcount validation, and adjustment of accountable records within 30 calendar days of the original PICD for all scheduled inventories and within 15 calendar days of the PICD for all unscheduled inventories.

c. NICPs will reconcile asset balances with SAs accountable balances through automated research. Complete processing of required adjustments to asset records within 3 calendar days from the date of discovery of the discrepancy.

d. Receipts made during the inventory period and meeting the conditions below will be considered pre-inventory transactions:

- (1) Materiel is placed in storage.
- (2) Receipt is recorded on accountable records.

(3) Receipt is included in the inventory count.

e. Inventory procedures will control in-float documentation, including MROs, receipts, catalog and other data changes. The control will ensure asset to record accuracy of inventories. Set the physical inventory cutoff dates to ensure the ability to set aside accountable/asset records and to identify and consider all pre-inventory transactions. Include pre-inventory receipts in counts and record balances. Exclude post inventory receipts in counts and balances when reconciling inventory actions.

f. An NICP, through the Centralized Inventory Accounting Branch (CIAB) or an SA may request a scheduled or unscheduled inventory for commingled assets belonging to more than one Service/agency owner. When commingled assets are owned by multiple owners within a single Service/agency, use of the inventory notification is optional.

g. Physical inventory request (DIC DJA) will cite a PICD in record positions (rp) 61–64. This date will be used to set aside the accountable record balance, initiate controls over in-process materials and transactions, and determine whether the inventory count is in agreement with the inventory record balance. The physical inventory requests will be forwarded to the NICP at least one calendar day preceding the PICD.

h. SAs will observe the set PICD and send the adjustment (DIC D8A/D9A) to each owning NICP within 30 calendar days after the PICD for all scheduled inventories and after 15 calendar days of the PICD for all unscheduled inventories. See paragraph 2–5 for rescheduling inventories.

2–3. Scheduled physical inventory

a. Conduct scheduled inventories for controlled inventory items other than category I (app F) at least once each fiscal year. For Category I items, conduct scheduled inventories at least semiannually. For small arms, the ACALA will forward physical inventory requests (DIC DJAs) to the SAs in September for scheduling by the SAs in the succeeding three quarters of the next fiscal year; therefore, no small arms inventory will be scheduled in the fourth quarter of the fiscal year. A physical inventory and location survey may be performed concurrently for class V items and pilferable items.

b. Use controls to ensure all in-float materiel and documentation are considered in reconciling counts to records.

c. Process physical counts, research, and adjustments within the timeframes in paragraph 1–5b(6) and 1–5g(2).

d. Reconcile purified accountable records or physical inventory documents to NICP asset records with in-float transaction controls. This action will identify, research, and adjust discrepant asset records.

e. Research potential variances between counts and balances, using criteria in appendix G, table G–1, to determine adjustment requirements and error causes. Accumulate error causes, as described in AR 725–50, paragraph C–21, for analysis to decide if corrective actions are needed.

f. Type of physical inventory/transaction history codes will identify the type of inventory being performed and/or indicate balance and transaction history transmission requirements. Enter the proper code from AR 725–50, paragraph C–45, table C–69, in rp 7 of all physical inventory documents.

2–4. Unscheduled physical inventory

SAs will complete unscheduled inventories and submit results to the NICP within 15 calendar days from the PICD when—

a. The NICP requests an unscheduled inventory.

b. A multi-owned item requires adjustment.

c. A previous inventory error is discovered.

d. Stock is found on post but not on record.

e. Stock is found as a result of the location survey.

2–5. Rescheduling inventories

When the SA cannot meet the set inventory timeframe (for example, when a request has been received and the schedule cannot be met or sufficient time does not remain to notify other affected owners/managers), the SA will reschedule the inventory.

2–6. Recording inventory counts

a. Record inventory balances per instructions provided with the general supply count card control listing produced by the standard depot system (SDS).

b. Use DA Form 3020–R, Magazine Data Card or DD Form 1574, MIL–STD–129 Tag; balance as the first count for ammunition. When the quantity indicated on the magazine data card does not agree with the accountable record quantity, a physical recount of the location will be taken immediately. The magazine data card quantity will agree with the count quantity.

c. Compare the single count to the accountable record. If the difference is equal to or less than \$5,000 for noncontrolled items (CIICs J or U), adjust the accountable record to the count. If the difference is greater than \$5,000, a second count is required. Compare the second count to the accountable record and if still not in agreement, compare the second count with the first count. If the first and second counts do not agree, but the difference between the second

count and the accountable record, or the first count and second count is equal to or less than \$5,000 for noncontrolled items, adjust the accountable record to the second count. Otherwise, make a third count and accomplish postcount validation. Count SA stock by the single-count method. Persons who performed the first counts will not perform recounts of the same stock number.

d. After postcount validation and pre-adjustment research, the SA will update the accountable/custodial record. When the accountable/custodial record reflects more than one owner for commingled stocks, the SA will attempt to determine where to apply any gain or loss. If a determination cannot be made, record all gains and losses on the accountable/custodial record for the DOD manager to the maximum extent possible, for example, a confirmed recorded loss may never exceed the recorded balance. If the manager is non-DOD, prorate gains and losses among owners having balances. Foreign owners will incur no gains or losses as a result of inventory adjustments. When foreign-owned assets are the only remaining balance, the NICP will effect resolution per the existing DOD 5105.38-M.

2-7. Reporting inventory counts

a. The SA will adjust the accountable record using an inventory adjustment increase or decrease transaction (DIC D8A or D9A) and will transmit the adjustment to the NICP.

b. If the count resulted in a zero balance for all condition codes or no adjustment was necessary, the storage activity will submit a DIC D8A transaction for each condition code to the NICP for the NSN inventoried indicating a zero quantity on hand.

c. When materiel is in segregated storage, enter the proper codes for the segregated stock in the inventory adjustment, increase or decrease transaction, DIC D8A/D9A. Enter management code N in rp 72 of each DIC D8A/D9A transaction when the quantity reflects a balance from a noncommingled storage location(s). When the accountable record reflects more than one owner for commingled assets, the SA will submit adjustment transactions to each owner. If the count resulted in a zero balance for all condition codes, submit a separate DIC D8A transaction indicating a zero balance for each condition code to each owner. Enter management code Y in rp 72 of each DIC D8A/D9A transaction when the quantity reflects a balance from a commingled storage location(s).

d. When the NICP research later reveals that a previous accountable transaction was not recorded against the asset balance, the NICP will take corrective action by advising the SA to correct locally, if appropriate, such as, reverse the original inventory adjustment(s) and post the missing transaction(s). SAs will submit revised adjustment transactions to NICPs as necessary.

2-8. Reconciliation of SA accountable records with the NICP asset records

a. Reconciliation of the accountable record with the NICP asset record will be the responsibility of the NICP. Perform reconciliation of inventories by a match of the SA on-hand balance, which has been verified by a physical count, and the NICP asset record. Inventory reconciliation may include transactions processed by the NICP and the SA for 7 days prior to the time the count date is recorded on the SA record. Based on inter-Service agreements, SAs will submit 15 days of transaction history along with the inventory adjustment transaction(s) (DIC D8A/D9A), using the transaction history transmittal (DIC DZK) to submit the history data.

b. NICPs will generate and process the necessary increase or decrease inventory adjustment transactions against the asset records.

2-9. Requesting and reporting recounts

a. A recount will not be required when the value of the variance for the NSN is \$5,000 or less and the item is not classified, sensitive, pilferable, or CIIC other than J or U.

b. When a recount is required, the NICP will prepare a physical inventory request, DIC DJA, citing management code M to indicate request for recount.

c. SAs will perform the recount actions. They will report the count to the NICP within 5 calendar days subsequent to the PICD in the request using the DIC D8A/D9A transaction. Cite management code M to indicate submission of a recount.

2-10. Research of potential or actual physical inventory adjustments

a. For research and reconciliation of adjustment of assets for which the NICP is accountable, the NICP may request transaction history and/or balances from the storage activity for analyzing inventory discrepancies. Request the history/balance using a transaction history/custodial balance request (DIC DZJ) citing the type of physical inventory/transaction history code in rp 7. When a transaction history is requested, enter the transaction history timeframe (start date and number of prior days history required) in rps 25-31. The SA will provide the transaction history data using the transaction history transmittal (DIC DZK) prepared in accordance with AR 725-50, paragraph E-290, table E-308. Determine the transmission media from the type of media code entered in rp 60 of the transaction history/custodial balance request (DIC DZJ). The SA will provide balances using the MILSTRAP asset status transaction (DIC DZA). The type of physical inventory/transaction history code Y or Z in rp 7, perpetuated from the DIC DZJ request, will identify the quantity entered as an accountable record balance only.

b. Once the causes of potential/actual inventory adjustments are determined by causative research, classify, analyze,

and evaluate them. Action will be taken to correct the situation which caused the error. For analysis and evaluation, identify error conditions to the operation in which they occurred, for example, receiving, shipping, and classify by type within each operation. For reporting purposes, identify each operation and each error type by an error classification code as shown in AR 725-50. The error classification system is structured to permit intra-Service expansion of the DOD defined error classifications; however, the Army must be able to summarize internally defined error classifications to the proper DOD classification.

c. The SA must refer unresolved physical inventory loss adjustments for controlled inventory items to security officials of the SA from which the loss occurred. The security officials will determine whether there is probable cause to suspect theft. Before any loss can be attributed to an inventory or accountability discrepancy, determine through investigation that the loss was not the result of theft or misappropriation. The loss of classified materiel will be investigated and reported per AR 380-5. Submit COMSEC Incident Reports per AR 380-40, TB 380-41, and DA Pam 25-380-2, as applicable.

2-11. Materiel release denials (MRD)

a. SAs.

(1) Upon initiation of a MRD citing management code 1, 2, 3, or 4, SAs will—

(a) Reverse the issue, adjust the SA accountable record on-hand balance to zero, and transmit a DIC D9A for the adjusted quantity to the NICP citing the denial management code.

(b) Initiate a spot inventory when the denial is for a controlled or sensitive item, a pilferable item with a denial value greater than \$100, or, a noncontrolled item (CIIC J or U) with a denial value greater than \$5,000.

(c) If the spot inventory results in a positive reporting of assets, reverse all or part of the loss that was taken prior to processing any inventory gain transaction and transmit a DIC D9A reversal to the NICP.

(2) If the spot inventory can be accomplished without delaying the processing of the materiel release order beyond the prescribed Uniform Materiel Movement Issue Priority System (UMMIPS) timeframes, conduct the inventory prior to processing a denial transaction.

(3) Perform denial research. Maintain a denial cause register to record the research and findings in order to identify the most prevalent causes of MRDs. Summarize these results for management review and for reporting to higher headquarters. Analyze the most frequent causes and take timely corrective action.

(4) Process MRDs within the following time frames:

(a) Process issue priority designator (PD) 01 through 03 denials at the SA not later than one calendar day following the preparation date of the DD Form 1348-1A, DOD Single Line Item Release/Receipt Document.

(b) Process PD 04 through 08 denials at the SA not later than the second calendar day following the preparation date of the DD Form 1348-1A.

(c) Process PD 09 through 15 denials at the SA not later than the tenth calendar day following the preparation date of the DD Form 1348-1A.

(5) Exclude MRDs resulting from materiel release denials for basic issue items (BII), property disposal, and set assembly shipments from the denial statistics reported by the SA.

(6) Determine the dollar value of a variance resulting from an MRD by adding the MRD quantity to the on-hand quantity, and then multiply the results (total discrepant quantity) by the unit price.

b. *NICPs.* NICPs will process the denial transactions to the NICP asset record and monitor the SA for submission of an FLIPL, where required.

2-12. Adjustments

a. Accountability and the accountable record for assets at a DOD SA will be at the SA. The purpose of the annual location record audit/match (LRA/M) and end of day reconciliation (EODR) is to update the NICP asset record to match the SA accountable record, which is assumed to be accurate. The SA will make all adjustments to the accountable record. Resulting adjustments to the NICP asset record will be researched by the NICP, but do not follow the research criteria appendix G. These criteria apply to the SA adjustments to the accountable record. The NICP must assist the SA in researching potential/actual adjustments, when requested. In the majority of the cases, gains and losses will be made based on a physical inventory action and the date of the last inventory should be updated. Other gains or losses will be processed similarly (for example, as a result of a materiel release denial). The SA will conduct a thorough search of the SA for assets. Whether an adjustment is necessary or not, update the date of the last inventory because the SA, in effect, has conducted a physical inventory. Although the \$5,000 automatic adjustment threshold still applies without having to conduct a physical count, in reality, the SA will rarely make automatic gain or loss adjustments to the accountable record.

b. Accountability and the accountable record for assets not located at a national SA (for example, assets at a contractor for repair or assets on loan) will be at the NICP. In this case, the accountable officer will make automatic adjustments up to \$5,000 on noncontrolled items, after considering in-float documentation, to bring accountable records in balance with the asset records of the activity possessing the assets.

c. Subject variances greater than \$5,000 in value for noncontrolled and all variances for controlled items to pre-

adjustment research prior to posting the adjustment to the accountable records. When accountability is at the NICP and the transaction history comparison is not automated, the discrepant quantity will be adjusted to a suspense account and researched in accordance with criteria in appendix G. When accountability is at the SA, adjust the accountable record and research per the guidelines in appendix G. Once research/investigation is complete, reverse the adjustment and post the correct accountable transaction, if appropriate.

- d.* Correct erroneous adjustments by reversing the original transaction within the limits set forth in paragraph 1–5g.
- e.* Resolve variances resulting from inventories in the national account with a DD Form 200, Financial Liability Investigation of Property Loss. See AR 735–5, chapter 15.
- f.* Periodically, but not less than semiannually, research random samples of adjustments of less than \$5,000 and analyze the results. This analysis will determine if any trends or indications of system or operational problems are apparent.

2–13. Zero balance flasher

- a.* Send the Storage Item Data Correction/Change transaction (DIC DZB) to the NICP when the accountable record reaches zero balance in condition code A, B, C, D, E, or G and the zero balance resulted from—
 - (1) An issue (except to property disposal).
 - (2) Adjustments, other than catalog changes.
 - (3) Receipt reversal.
- b.* On receipt of a zero balance flasher, the NICP will check the asset record balance.
 - (1) If the asset record balance is zero, no further action is required.
 - (2) If the asset record balance is not zero, a DIC D8B or D9B (Inventory Adjustment Increase or Decrease), will be automatically processed against the NICP asset record.

Chapter 3 Location Survey Procedures

3–1. General location and count requirements

- a.* Perform a location survey on a perpetual basis. Survey each location at least yearly and spread the survey throughout the 12 months of the year. Sampling will not be used.
- b.* Perform a physical inventory, first count, concurrently for conventional ammunition materiel.
- c.* There are three types of location survey errors:
 - (1) Location records showing a recorded location without corresponding stock at that warehouse location, provided that a permanent location is not being reserved for the item.
 - (2) Physical assets in a warehouse location without the supporting location record.
 - (3) Mismatch of any of the following data elements:
 - (a) Unit of issue.
 - (b) Condition code.
 - (c) Stock number.
 - (d) Controlled inventory item code.
 - (e) Shelf life code.
 - (f) Type of pack code (for subsistence only).
 - (g) Quantity (ammunition only).
 - (h) Lot number/Serial number (ammunition only).
 - (4) Only one error per location will be reported. Correct controlled inventory item code and shelf life code, but do not count them as errors when computing the accuracy rate. Verification of controlled inventory item codes will ensure that assets are stored in areas providing the degree of security in line with the assigned code. Procedures will provide for collecting and analyzing errors in paragraph (3) above by data element. The impact of each type error will be subject to analysis and a basis for corrective action.

3–2. Planning and scheduling

The SAs will—

- a.* Determine overall survey requirements to include manpower and equipment based on the number of recorded locations.
- b.* Develop firm schedules for completing location surveys, including—
 - (1) Cutoff dates for freeze of locations (except for establishing locations for new receipts).
 - (2) Preparation of work documents.
 - (3) Physical validation of data.

- (4) Correction of location data.

3-3. Location survey procedures

- a. Establish location survey lots of a manageable size to facilitate work processes and to assure accuracy. The size of the lot will vary depending on facilities and resources. A lot size of about 3,000 items is generally economical and manageable.
- b. Prepare inventory/location survey work documents in a format compatible with bar code scanners.
- c. Physically compare each prescribed data element with the assets in location. Record the data elements that mismatch on the document or the scanner and record the location card with the data shown on the stock.
- d. Manually prepare documents or add data to bar code scanners for all locations containing assets for which a location survey work document was not made.
- e. Perform necessary research, add or delete locations as required and correct recorded data elements.
- f. Compile data necessary for reporting in accordance with this regulation.
- g. Accumulate error causes for evaluation to determine the need for corrective actions and to identify repetitive and systemic problems.

Chapter 4

Location Record Audit/Match (LRA/M) Procedures

4-1. General record requirements

- a. Use an NICP/SA LRA/M in lieu of a location record audit. The match is the same as the audit except it includes a comparison of quantities by condition code. Run the match annually for all assets at an SA.
- b. The NICP and SA shall match all active record on-hand balances (such as, stock numbers that had any transactions affecting record balances) daily. The SA shall submit the daily closing on-hand balance to each affected NICP using DIC DZH, Location Reconciliation Request. This EODR is a daily location record audit/match of active items.
- c. To measure the accuracy of the annual location reconciliation program, classify discrepancies in one of the four categories listed below (report only one error per location reconciliation for a line item with discrepancies).
 - (1) *Type I.* The NICP records with a stock balance other than zero or a credit balance without a supporting SA record by condition code (no location reconciliation received).
 - (2) *Type II.* The SA accountable records with actual stock on hand without an NICP asset record balance by condition code (location reconciliation received from the SA).
 - (3) *Type III.* Mismatch of any of the following data elements:
 - (a) Unit of issue.
 - (b) Ownership code. (Item is under cognizance of another inventory manager.)
 - (c) Controlled inventory item code.
 - (d) Shelf-life code.
 - (e) Subsistence type of pack code.
 - (f) Subsistence date packed/expiration date.
 - (4) *Type IV.* Quantity discrepancy.
- d. Errors will be subject to validation research before counting them as errors. Report only one error per NSN. Establish procedures to collect by data element all type III errors for analysis and corrective action for each type of error.

4-2. Planning and scheduling

- a. The SAs and NICPs will coordinate the schedule for conducting location record audits. Coordination will include—
 - (1) Setting cutoff dates for preparing audit transactions. Paragraph 1-5e(3) prescribes the dates to be used.
 - (2) Reconciling data.
 - (3) Preparing and processing corrective actions.
- b. The NICPs will initiate special inventory requests as a result of LRA/Ms during the next fiscal quarter. These must be held to a minimum. The NICPs are cautioned that special inventories must be paid for by the NICP.
- c. Conduct an inter-Service/agency location reconciliation when items are stored by one AMC SA for another DOD component that owns the items. Prepare Navy inter-Service reconciliation documents as of the close of business (COB) on the second Tuesday in March and transmit not later than the 15th day of March. Prepare the Marine Corps, Air Force, and Defense Logistics Agency (DLA) reconciliation documents during the months of May, July, and September, respectively, using the same days of the month as the Navy reconciliation. Due to the nature of the ammunition

program and the magnitude of DLA items positioned at Service storage sites, the reconciliation schedule at the storage locations involving ammunition and DLA items will be mutually agreed to by the SMCA/DLA and the applicable Service. (See DOD 5160.65–M, Joint Operational Policies and Procedures, part 7, chapter 6, for ammunition.)

4–3. Location audit procedures

a. The SAs will prepare location audit reconciliation documents on the cutoff date and forward them to the NICP. The NICP will retain item data, as of the cutoff date, needed to compare data elements listed in paragraph 4–1c(3).

b. The SAs will prepare in the format of AR 725–50, table E–306, Location Reconciliation Request transactions (DIC DZH) by condition code for each NSN in the item locator file. The reconciliation request will include the applicable quantity for the owner/manager in rps 25–34. Transmit the reconciliation requests to the NICPs that own the items. The intra-Service/agency (or inter-Service/agency based on agreement of the DOD components involved) location reconciliation process includes the consideration of transactions processed by the NICP and the SA for 7 days prior to the reconciliation cutoff date. Based on the inter-Service agreements, SAs will submit 15 days of transaction history along with the DIC DZH transactions, location reconciliation request transaction(s). Use the transaction history transmittal (DIC DZK) and cite the type of physical inventory/transaction history code W in rp 7 to identify automatic history submission.

c. The NICPs will—

(1) Reconcile data received with data recorded for each NSN by condition code.

(2) For inter-Service/agency reconciliation, the NICP may request additional transaction history to analyze discrepancies. Request the history/balance using a transaction history/custodial balance request (DIC DZJ) citing the type of physical inventory/transaction history code in rp 7. When a transaction history is requested, enter the transaction history timeframe (start date and the number of prior days of history required) in rps 25–31. The SA will provide the transaction history data using the transaction history transmittal (DIC DZK). Determine the transmission media from the type of media code entered in rp 60 of the DIC DZJ request. The SA will provide balances using MILSTRAP asset status transaction (DIC DZA). The type of physical inventory/transaction code Y or Z from the DIC DZJ request, will identify the quantity entered as a SA balance only.

(3) Prepare storage item data correction/change documents (DIC DZB) for each NSN with catalog data submitted in error by the SA. Forward the DIC DZB documents to the appropriate SA and correct NICP records that are in error. Within the NICP, the inventory activity will notify the catalog activity of type III errors that exist in the asset record.

(4) Transmit MILSTRAP transaction rejects (DIC DZG), as appropriate.

(5) Compile data necessary for reporting as prescribed by this regulation.

d. The cataloging activity will—

(1) Receive type III errors from inventory.

(2) Establish controls to correct or obtain data element corrections from command activities that are responsible for data element origination.

(3) Introduce corrections to the asset record or AMDF, as appropriate, within 30 calendar days after receipt of notification from the inventory organization.

e. The SAs will—

(1) Receive storage item data correction/change documents (DIC DZB) reflecting the data elements requiring change.

(2) Process changes to update the accountable record with current data supplied by the NICP.

(3) Accomplish scheduled special inventories. Report results within 90 calendar days of receipt of inventory request documents.

f. The NICPs and SAs will research each type of location audit error detected to determine the cause(s) of the errors. Accumulate the causes for analysis and use as a basis for taking corrective action.

g. For end of day reconciliations, NICPs will match the SA asset status to the affected records. Imbalances will be programmatically researched to assure consideration of in-float documents, delay transactions, and duplicate transactions. For unresolved mismatched quantities, the NICP will update the affected on-hand balance with the SA's closing on-hand balance. The mismatched quantity (gains and losses) shall be adjusted with a DIC D8B/D9B transaction, Inventory Adjustment Increase/Decrease (Accounting Error) transaction.

h. The NICPs may initiate special inventory requests as a result of asset status imbalance (ASI) suspense file imbalances (DIC DJA) with type of physical inventory/transaction history code D.

Chapter 5

Physical Inventory Quality Control

5–1. General quality control requirements

a. Each SA and NICP will perform in-process quality control checks as specified here.

b. Quality control checks will use sampling plans as illustrated in appendix H. Determine lot size by the number of weekly transactions involved in continuous operations (for example, location changes) or by the total transactions involved in periodic operations (for example, location surveys). Rejection of a lot will result in a 100 percent check of the lot, analysis of error causes, and correction of errors.

(1) Corrective actions will include—

(a) Changing procedures.

(b) Training personnel causing errors.

(c) Any other actions deemed appropriate as a result of error cause analysis.

(2) Whenever possible, quality control checks of these work processes should include identifying individuals performing the tasks to help motivate improved individual performance.

c. When an activity does not achieve a goal, it will furnish a tabulation of pertinent quality control check results for the period involved (included will be a statement of corrective action taken) to the next higher headquarters within 30 calendar days after the shortfall occurred. Each successive headquarters will furnish this information to the next higher headquarters.

d. Complete quality samplings of input documents, counts, location, and research actions on the same day as the original action to preclude external factors from affecting the sampling accuracy.

5-2. Storage activity quality control checks

As a minimum, quality control checks will include—

a. *Validation of accuracy of receipt data.* This will be a statistical sample of the appropriate AIS to capture data from the appropriate AIT device and accompanying data that was reported to the accountable activity. It includes transaction data (such as stock number, condition code, unit of issue, quantity, and on-time processing) reported to the NICP.

b. *Validation of accuracy of location survey.* This will be a statistical sample of locations surveyed to assure errors were not overlooked and corrections were made.

c. *Validation of accuracy of location audit corrections.* This will be a statistical sample of location audit corrections to assure that corrections were made to the accountable records, to the location file, and at the physical location.

d. *Validation of accuracy of monthly catalog change posting, daily location input, and results of major rewarehousing projects.* These checks will be as shown in appendix H. They will include verifying accuracy of the accountable record, the location file, and the physical location.

(1) If the level of accuracy of the daily location input does not meet the statistical estimate of performance needed to sustain a local accuracy rate of 97 percent for general supplies or 98 percent for ammunition, recheck the entire day's file maintenance.

(2) After rechecking, make a similar quality check and continue the reject or validation process until the performance is acceptable.

e. *Validation of the accuracy of physical counts.* This will be a statistical sample of the accuracy of first counts and must be done immediately after the count being checked.

f. *Validation of the accuracy of adjustments.* This will be a review of the appropriate AIS that captured the original data from the AIT device at the time of introduction into the logistics pipeline to determine if the adjustment resulting from the physical inventory was correct. It includes count cards and in-float documentation to determine if the adjustment resulting from physical inventory is correct.

g. *Validation of accurate receipt, denial, issue, and adjustment transactions.* Accomplish this by verification of original input documents against what was posted to the record by polling the appropriate AIS.

h. *Analysis of cause for computer rejects.* When computer rejects exceed one percent of total input during a week, advise the organization submitting the erroneous documents by correspondence accompanied by copies of rejects. These organizations will reply within 30 calendar days stating the actions taken to reduce errors.

i. *Validation of the accuracy of Industrial Logistics System Center (ILSC)-prepared computer program changes affecting the accountable record balance by the SA that initiated the program change.* This will be a 100 percent check of the changes before implementing them.

j. *Validation of the completeness of the causative research and the correctness of the causative research finding.* Review causative research checklists.

k. *Validation of the accuracy of the adjustments.* Were in-float documents and transaction histories considered? Were reversals used prior to posting an unposted or incorrectly posted transaction?

5-3. National inventory control point quality control checks

As a minimum, NICP quality control checks will include—

a. *Validation of accuracy of adjustments of assets for which the NICP is accountable.* This will be done by—

(1) Reviewing the SA balance with the NICP summary balance.

(2) Considering all pertinent in-float documentation and transaction histories.

(3) Determining if the correction was properly processed (such as, the reversal was processed prior to posting an unposted or incorrectly posted transaction).

b. Validation of location audit. This will be a statistical sample of records audited to assure that—

(1) Errors were not overlooked.

(2) The NICP activity records that were in error were corrected.

c. Validation of the accuracy of monthly catalog change postings. This will be a statistical sample of catalog changes to assure the changes are posted correctly to the accountable record.

d. Validation of accuracy of receipt and adjustment posting. This will be a statistical sample of the hard copy or AIS to assure that data were correctly posted to accountable records.

e. Analysis of cause of computer rejects of denial, receipt, and adjustment documents. When a reject of one type of transaction exceeds one percent of that type received during the week, advise the organization that submitted the erroneous documents and include copies of the documents. These organizations will reply within 30 calendar days after notification stating the actions taken to reduce future errors.

f. Validation of the accuracy of ILSC-prepared computer program changes affecting asset record balances by the MSC that initiated the program change. This will be a 100 percent check of the changes before implementing them.

g. Validation of accuracy of receipt, denial, issue, and adjustment transactions. Perform by transaction verification. This can be accomplished by polling the AIS.

h. Validation of causative research on adjustments of assets for which the NICP was accountable. Was the research thorough and did it result in the correct finding? Was the proper corrective action taken? Was the causative research checklist completed and signed by the CIAB chief?

Appendix A References

Section I Required Publications

AR 725–50

Requisitioning, Receipt, and Issue System (Cited in paras 1–5a(4), 1–5j(2), 2–3e, 2–3f, 2–10a, 2–10b, 4–3b, app C, app G.)

AR 735–5

Policies and Procedures for Property Accountability (Cited in paras 2–1d, 2–12e, app B.)

Section II Related Publications

A related publication is a source of additional information. The user does not have to read a related publication to understand this regulation.

AR 11–2

Management Control

AR 25–400–2

The Modern Army Recordkeeping Systems (MARKS)

AR 40–61

Medical Logistics Policies and Procedures

AR 190–11

Physical Security of Arms, Ammunition, and Explosives

AR 190–40

Serious Incident Report

AR 310–25

Dictionary of United States Army Terms

AR 310–50

Authorized Abbreviations, Brevity Codes, and Acronyms

AR 380–5

Department of the Army Information Security Program

AR 380–40

Policy for Safeguarding and Controlling Communications Security (COMSEC) Material (U)

AR 600–8–105

Military Orders

AR 700–131

Loan and Lease of Army Materiel

AR 708–1

Logistics Management Data and Cataloging of Supplies and Equipment

AR 710–1

Centralized Inventory Management of the Army Supply System

AR 710–3

Asset Transaction Reporting System

AR 735-11-2

Reporting of Item and Packaging Discrepancies

AR 740-1

Storage and Supply Activity Operations

DA Pam 25-380-2

Security Procedures for Controlled Cryptographic Items

DA Pam 708-2

Cataloging and Supply Management Data Procedures for the Army Central Logistics Data Bank (ACLDB)

DFAS-IN Regulation 37-1

Finance and Accounting Policy Implementation. Obtain at on the Internet at <https://dfas4dod.dfas.mil/centers/dfasin/library/ar37-1/>.

DOD 4000.25-2-M

Military Standard Transaction Reporting and Accounting Procedures. Obtain on the Internet at <http://www.dtic/whs/directives/>.

DOD 4140.1-R

DOD Materiel Management Regulation. Obtain on the Internet at <http://www.dtic/whs/directives/>.

DOD 4145.19-R-1

Storage and Materiels Handling. Obtain on the Internet at <http://www.dtic/whs/directives/>.

DOD 5100.76-M

Physical Security of Sensitive Conventional Arms, Ammunition, and Explosives. Obtain on the Internet at <http://www.dtic/whs/directives/>.

DOD 5105.38-M

Security Assistance Management Manual. Obtain on the Internet at <http://www.dtic/whs/directives/>.

DOD 5160.65-M

Single Manager for Conventional Ammunition (Implementing Joint Conventional Ammunition Policies and Procedures). Obtain on the Internet at <http://www.dtic/whs/directives/>.

DOD Directive 5160.65

Single Manager for Conventional Ammunition (SMCA). Obtain on the Internet at <http://www.dtic/whs/directives/>.

TB 380-41

Procedures for Safeguarding, Accounting and Supply Control of COMSEC Material

RCS AMSCM 307

NICP Report of Physical Inventory

RCS AMSCM 309

Location Audit Discrepancy Summary Listing

Section III**Prescribed Forms****DA Form 7436**

Certificate of Research. (Cited in para 1-5g(3).)

Section IV**Referenced Forms****DA Form 11-2**

Management Control Evaluation Certification Statement

DA Form 2028

Recommended Changes to Publications and Blank Forms.

DA Form 3020-R

Magazine Data Card.

DD Form 200

Financial Liability Investigation of Property Loss.

DD Form 1348-1A

DOD Single Line Item Release/Receipt Document.

DD Form 1574

Serviceable Tag—Materiel.

Appendix B

Management Control Evaluation Checklist

B-1. Function

The function covered by this checklist is Inventory at National Level.

B-2. Purpose

The purpose of this checklist is to assist assessable unit managers in evaluating their key management controls. This is not intended to cover all controls.

B-3. Instructions

Answers must be based on the testing of key management controls (for example, documented analysis, direct observation, interviewing, sampling, and simulation). Answers, which indicate control problems must be explained and the corrective action indicated on the supporting documentation. These controls must be evaluated in accordance with the schedule in the Management Control Plan. Certification that this evaluation was conducted must be made on DA Form 11-2 (Management Control Evaluation Certification Statement).

B-4. Test questions

- a.* Are physical inventory goals reflected in individual military and civilian support forms and performance ratings?
- b.* Are inventory performance goal accomplishments reflected in officer evaluation reports (OERs) and performance appraisals?
- c.* Are responsibilities, authority, and resources balanced, fair, and understood by all involved?
- d.* Are positive, meaningful steps being taken to correct shortfalls?
- e.* Are the Commander and Director of Supply aware of the caseload of inventory research in progress?
- f.* Does the Command Group have access to this information and/or require updates on a frequent and scheduled basis?
- g.* Are inventory organization structures and assigned responsibilities consistent with AR 740-26 and MACOM supplements?
- h.* Are Civilian Personnel Office resources aggressively used to correct problems in recruiting, retention, training, and discipline?
- i.* Are physical inventory control program ADP systems applications scheduled and run at the prescribed frequencies?
- j.* Are monthly Army Master Data File (AMDF) catalog data updates processed between the 28th and the last day of the month to update accountable and custodial records?
- k.* Are accountable and custodial records backed up in the event they need to be restored?
- l.* Are automation contingency of operation plans published and reliable?
- m.* Are ADP problems (both technical and functional) documented as system change requirements?
- n.* Is a Plan and Control List in force to control access to accountable and custodial records?
- o.* Does research documentation from post count validation, pre-adjustment, and/or causative research support the inventory adjustments?
- p.* Are Financial Liability Investigations of Property Loss accomplished per AR 740-26 and AR 735-5?
- q.* Does automation adequately support this process?

- r.* Are Location Survey and Location Audit Programs scheduled and run per AR 740–26, MACOM supplements, and automation system Functional Operating Instructions?
- s.* Are location audit checklists being followed?
- t.* Is trend analysis performed on inventory program performance indicators?
- u.* Are prescribed quality control checks being performed and corrective actions being taken to preclude recurrence of error conditions?
- v.* Is location survey preplanning being accomplished?
- w.* Are Project Condition/Count Five verifications conducted and deficiencies corrected within the time limits prescribed in AR 740–26?
- x.* Do in-float transaction controls provide positive inventory control of materiel shipments to include parcel post?
- y.* Are inventories scheduled sufficiently ahead of time to initiate reports of discrepancy (RODs) when volumes of ammunition receipts preclude concurrent quantitative verification?
- z.* Are ROD procedures used for reporting all erroneous receipts as prescribed by regulation?
- aa.* Are all toxic chemical munitions and bulk agents inventoried and reported to the accountable supply distribution activity (ASDA) annually?
- ab.* Are inventory adjustment transactions and research accomplished within AR 740–26 timeframes?
- ac.* Are corrections of catalog errors (type 3) generated by location record audits being posted to ASDA and storage activity records in a timely manner?
- ad.* Does the analysis explain why goals are not being met, how problems occur, and what can be done to correct them?
- ae.* Are required reports accurate, complete, and on time?
- af.* Are analysis results reviewed and acted upon by those responsible for doing so?
- ag.* Are the location record audit/match checklist procedures adequate to assure location record audit/match program is executed efficiently and effectively?
- ah.* Are the Location Record Audit/Match checklist procedures followed?
- ai.* Are cataloging procedures to correct location record errors being followed?

B–5. Supersession

This checklist replaces the checklist for AR 740–1.

B–6. Comments

Help make this a better review tool. Submit comments to HQDA functional proponent: Office of the Deputy Chief of Staff, G-4, 500 Army Pentagon (ATTN: DALO–SMP), Washington, DC 20310–0500.

Appendix C

Mission and Functions of the National Inventory Control Point (NICP) Central Inventory Accounting Branch (CIAB)

C–1. Mission

Serves as the national inventory control point (NICP) and control point for command-owned or -managed assets; assures the accomplishment of physical inventories; and administers the loan and customer complaints program. Serves as the condition code coordinator for assigned condition codes and interfaces with the Unissuable Materiel Visibility Program. Provides technical assistance to the storage activities on all matters relating to due-in control and receipts. Provides a functional expert for Full Volume Testing and other inventory-related activities. Provides reports and analyses as required. The branch will normally be organized as shown in figure C–1, below.

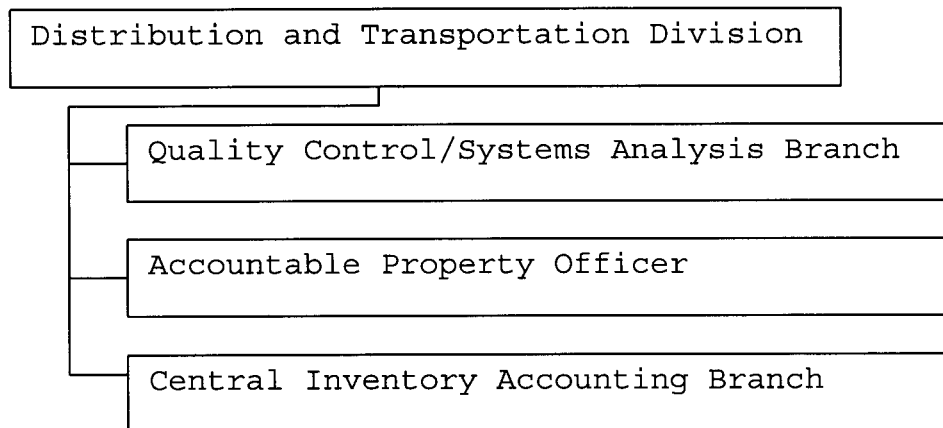


Figure C-1. NICP central inventory accounting branch

C-2. Special relationships

The NICP CIAB will—

- a.* Maintain liaison with NICP elements, Operations Support Command (OSC), SAs, and other departmental agencies.
- b.* Coordinate and perform inventories and location audits for other DOD services/agencies and the General Services Administration (GSA).
- c.* Maintain surveillance on all functions or practices that have a bearing on inventory accuracy and the accountable/asset record.
- d.* Serve as the NICP action element for investigation/resolution of customer complaints involving shortages, overages, and incorrect materiel returned by field customers.

C-3. Functions and required reports (Requirement Control Symbol (RCS) AMCSM 307 and RCS AMCSM 309)

The NICP CIAB will—

- a.* Provide technical assistance to the SAs on all matters pertaining to inventory, reclassification, and reidentification of managed and owned materiel.
- b.* Serve as the command inventory coordinator for coordination with Service activities, other Service storage locations, and control activities for adjustments and reconciliation of counts and discrepancies in asset records and reports. Inventory coordinator duties may be assigned to the branch chief or a person assigned to another section of CIAB.
- c.* Initiate, receive, process, control, and manage DD Form 200 (Financial Liability Investigation for Property Loss) through completion on assets for which the NICP CIAB is accountable. Monitor receipts of DD Forms 200 from DOD SAs and challenge DD Forms 200 that appear to have not been thoroughly researched, considering the magnitude of the loss or gain and/or the type of item lost/gained.
- d.* Perform research (including denials, zero balance flashers, frozen assets, and nonresolved discrepancy listings) of physical inventory location audits as required.
- e.* Maintain Inventory Error Cause Summary Listings for inventory adjustments.
- f.* Manage, control, and input reconciliation, location audit, and quantitative adjustments to the asset records, to include other inventory managers, DLA, or other Service items of which the command is an owner. Also, maintain the project manager (PM) owned asset records for assigned PMs.
- g.* Collaborate and assist in the development of inventory programs with systems and functional personnel, both internal and external to the command.
- h.* Research and resolve, in coordination with the item managers, SAs, or other divisions, all credit balances and provide the reason and resolution.
- i.* Manage all MCN-I, to include asset record adjustments, location record audit, causative research, and associated rejects.
- j.* Manage adjustment rejects, determine causes through research and process necessary actions to correct the asset/accountable records.

- k. ACALA only. Require commanders of storage locations to inventory small arms weapons annually. Maintain files of inventory certification.
- l. ACALA, OSC, and Communications and Electronics Command only. Maintain off-line accountability for classified assets and special projects as approved by HQ, AMC.
- m. Provide technical advice on all inventory system problems. Identify requirements for systems change requests relating to all inventory systems.
- n. Review and analyze the NIPC Report of Physical Inventory (RCS AMCSM 307) and Location Audit Discrepancy Summary Listing (RCS AMCSM 309) quarterly and submit to HQ, AMC not later than 60 calendar days after the end of the quarter.
 - o. Coordinate the transfer of assets being logistically reassigned.
 - p. Serve as command point of contact with SAs to monitor and control condition codes D and P for classification.
 - q. Receive, control, and process requests for equipment loans, bailments, temporary issues, leases, and renewals to other Government or non-Government agencies. Develop and maintain assigned agreements and initiate supply action for loans, issue, bail, or lease items. Submit agreements to higher headquarters for approval. Maintain accountable records of items issued and ensure return or transfer of accountability. Negotiate with loanee for reimbursement on renewals or agreements, as applicable. Maintain an automated record of each loan and a hard copy jacket file.
 - r. Receive and process receipt documentation. Maintain supporting documents as required.
 - s. Determine corrective actions for receipt reject transactions by researching and analyzing catalog data, existing due-in records, shipping documentation, and by contacting the SAs for verification of the data.
 - t. Manage the overdue receipt program to ensure timely receipt processing at both the SA and CIAB. Analyze overdue receipts to detect trends and identify corrective actions required.
 - u. Provide technical assistance to the SAs on all matters relating to due-in control and receipt processing.
 - v. Control and serve as the CIAB contact point with SAs for assets classified as condition codes J, K, L, and R. Maintain a comprehensive cognizance of the items to ensure there is a reason stock is being held in suspended accounts and ensure prompt SA action to reclassify items to the appropriate condition within established time frames prescribed in AR 725–50, paragraph 5–44.
 - w. Coordinate with Procurement and Product Assurance for condition code L stock to determine contractual responsibilities. Process shipment orders to return stock to contractors for rework and coordinate with the management control activity (MCA) to maintain surveillance to ensure stock is returned to the SA.
 - x. Serves as the CIAB coordinator for controlling and monitoring of repairables from SAs to contractors for repair. Release assets for shipment as required by the contract, ensure receipt at the contractor's site, and process transactions to update the accountable records. Receive production and inventory reports monthly from the contractors, reconcile asset accountability at overhaul sites to maintain the integrity of the accountable records, and research and process necessary adjustments to maintain an accurate inventory.
 - y. Control assets being shipped from field units to contractors for overhaul to ensure accurate inventory records are maintained and process the transactions to record assets on the accountable records.
 - z. Reduce the opportunity for fraud, waste, and abuse by assuring that items shipped from contractors or returned from field units are properly recorded.
 - aa. Receive, process, and control reports of discrepancy, including international logistics, to completion. Review reason for discrepancy, perform research of records to validate complaint or transmit to the shipping activity for validation. Give disposition and credit as required to finalize the discrepancy. Establish controls and process follow-ups to ensure completion within regulatory time frames. Prepare reports and analysis.
 - ab. Process disposition instructions to field units for Quality Deficiency Reports to ensure receipt of exhibit, credit is given, if appropriate, and adjustments are made to the accountable and asset records. Maintain surveillance and coordination with Procurement and Production to ensure assets are returned to an SA.
 - ac. Serve as point of contact with SAs for assets classified as condition code Q. Maintain control to ensure timely reclassification actions are taken by SAs.
 - ad. Accomplish inter-SA transfers required for appropriate distribution between SAs.
 - ae. For the branch, receive and distribute to the appropriate sections all ADP output products.

Appendix D

Standard Organization for SA Inventory Management Division

D–1. Mission

The mission of the SA Inventory Management Division is to manage all physical inventory, location survey, location audit/match, and inventory quality control programs (to include report of discrepancy processing) and associated research for all classes of supplies and consolidated property account materiel. The inventory management division also manages and maintains the accountable record through adjustment, reclassification, reidentification, catalog change,

and file maintenance actions. The division will normally be organized as shown in figure D-1. The accountable officer should be organizationally external to this division.

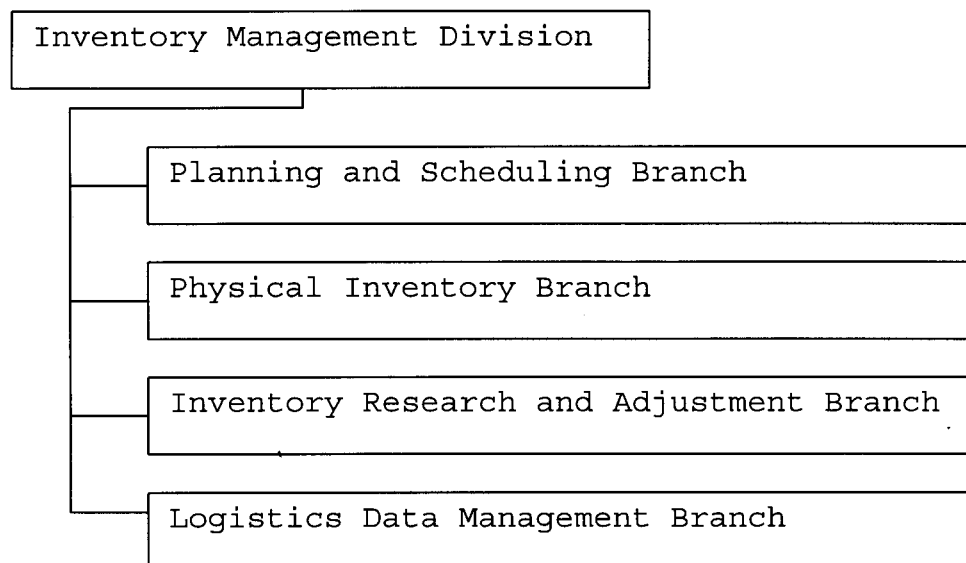


Figure D-1. Standard organization for SA inventory management division

D-2. Special relationships

The SA Inventory Management Division will—

- a. Maintain liaison with SA elements, NICPs, consignees, and other departmental agencies.
- b. Coordinate and perform inventories and location audits for other DOD services/agencies and General Services Administration (GSA).
- c. Maintain surveillance on all functions or practices that have a bearing on inventory accuracy and the accountable record. Provide technical assistance on SA inventory procedures as required by higher headquarters.
- d. Provide technical assistance worldwide related to SA inventory management.
- e. Serve as the SA action element for investigation/resolution of customer complaints involving shortages, overages, and incorrect materiel shipped to field customers. Adjust the accountable record as appropriate and coordinate with the NICP for desired actions to include reissue and financial adjustment.

D-3. Functions

- a. Planning and Scheduling Branch will—
 - (1) Plan and schedule inventories to meet established time frames and program requirements. Compute inventory workload capabilities based on known standards and provide capabilities to OSC for long-range planning.
 - (2) Plan and schedule for inventory of SA-owned stocks.
 - (3) Schedule research actions for resolution of discrepancies in receipts and shipments concerning shortages, overages, and incorrect items. Schedule and coordinate research actions for resolution of discrepancies in reclassification and reidentification.
 - (4) Plan and schedule location surveys and location audits/matches. Coordinate audits/matches and surveys with Army NICPs and other Service/agency NICPs.
 - (5) Implement directives by developing work methods and procedures for conducting inventories, surveys, and audits/matches for the SA.
 - (6) Establish and maintain the training schedule for the division and assure that all personnel are afforded the opportunity to receive formal and on-the-job training as available.
 - (7) Coordinate, plan, and schedule inventories, location surveys, location audits/matches, and other inventory-related actions with other installation activities concerned with inventory functions.

- (8) Maintain progress and evaluation charts and records on inventories, location surveys, and location audit/match programs.
 - (9) Control the input to and output from data system activities of all documentation pertaining to scheduled and unscheduled inventories, location surveys, location record audit/match programs.
 - (10) Collect, assemble, compute, and analyze statistical data required for preparing internal and external reports pertaining to performance of location surveys and location record audits/matches. Analyze cost and performance data to provide explanation of unusual trends. Forecast manpower requirements based on work performance and workload data. Prepare and submit statistical and performance reports pertaining to the operation of the division and the SA inventory program.
 - (11) Maintain liaison between Headquarters, AMC, OSC, NICPs, consignees, other departmental agencies, and other SA operations.
 - (12) Evaluate performance and effectiveness of the inventory system to include extensive review and analysis of representative errors detected during inventory, making recommendations to higher headquarters for the improvement of the overall program.
 - (13) Participate in feasibility and application studies for determining new systems and devices to be used for accomplishing integrated data processing related to inventory functions.
 - (14) Coordinate disposal actions resulting from NSN deletions and unit of issue changes with appropriate NICPs.
 - (15) Prepare and submit reports on the findings developed through the analysis of potential materiel release denial investigations, including final disposition.
 - (16) Perform inventory quality control checks of the central locator file, location surveys, inventory counter accuracy, adjustment processing, MRDs, inter-Service audit, and receipt processing. Submit reports to the SA commander.
 - (17) Perform various administrative tasks and prepare a variety of correspondence and maintain central control of all correspondence for the division.
 - (18) Coordinate personnel management and training programs for the division.
- b. The Inventory Research and Adjustment Branch will—*
- (1) Conduct causative research on all adjustments as required by appendix G, using the checklist at appendix B. Immediately report all unresolved physical inventory losses of controlled inventory items (CIIC other than J or U) to the SA Security Office for further investigation and incident reporting.
 - (2) Conduct detailed and technical research, audit, and analysis of facts related to inventory programs, location surveys, and location record audits/matches, determining causes and providing explanations for the variances between stocks and records.
 - (3) Investigate potential warehouse denials and initiate action for spot inventories. Conduct research and detailed analysis, determining cause of errors as a result of warehouse denials, research cards, and requests from DOD services/agencies and GSA.
 - (4) Accumulate data as to the cause for inventory discrepancies and record data by type of discrepancy. Initiate actions to strengthen procedures, establish controls, improve training, and other corrective actions to eliminate causes for recurring discrepancies.
 - (5) Compile transaction histories; perform detailed technical research; audit and analyze documents, records, methods, and procedures to determine the cause of discrepancies; and make decisions for corrective action required to eliminate the deficiencies.
 - (6) Prepare, investigate, research, and submit FLIPL Reports required by the accountable officer; perform research incidental to FLIPLs.
 - (7) Obtain current balance listing and research receiving documents, registers, listings, count cards, active and deleted locations, transaction and document histories, as required, to reconcile balances and to stratify manager and/or owner assets prior to submitting adjustments and initiating inventories as required.
 - (8) Conduct and expedite research in response to NICP requests for stock availability to satisfy urgent requirements. Initiate actions including transactions necessary to effect proper accounting and shipment.
 - (9) Initiate, control, and submit adjustments resulting from inventory, reclassification, reidentification, and the detection of concealed discrepancies. Maintain an adjustment document control register for each NICP and initiate changes to the accountable balance, as required.
 - (10) Edit reclassification and reidentification changes, determine appropriate coding, and assign document numbers after proper coordination with Director for Quality Assurance/Ammunition Surveillance. Analyze rejects from data systems, resolving discrepancies through research of facts and circumstances surrounding the related actions.
 - (11) Control processing of receipts and issues for materiel moving to and from maintenance activities, including all reconditioning and programmed maintenance work order disassemblies. Establish and maintain related jacket files of work orders for monitoring the timely return of completed materiel and for preparing listings for periodic reconciliation of materiel not returned to storage.
 - (12) Prepare transaction histories required to support adjustments or for accountable property officers.

(13) Establish and maintain files of physical inventory documentation (such as, adjustments, warehouse denials, inventory count cards).

(14) Coordinate and maintain supply files on suspension/release of defective materiel.

(15) Serve as the coordinating activity for the SA to process follow-up actions, respond to NICPs with regard to minimizing assets recorded in nonissuable condition codes. Prepare and maintain source documents required to support adjustment actions. Processing of these actions will not be accomplished on items involving quality assurance/quality control technical resolutions until recommended disposition instructions are received from the SA quality assurance directorate.

(16) Control and maintain files for discrepancy reports on shipments within the SA directorate for supply. Coordinate with the SA directorate for supply for decision on resupply or return of materiel. Initiate resupply or return action. Initiate unscheduled inventories to verify recorded balances of items, when the recorded balance is in question due to a reported discrepancy.

(17) Control and maintain files on suspension/release of materiel involved in shortages, overages, or incorrect item complaints. Initiate supply action to adjust the accountable records and reissue assets as applicable, or request disposition instructions. Coordinate with the NICP to provide credit for reissue of assets as applicable.

c. The Physical Inventory Branch will—

(1) Perform physical inventory functions pertaining to complete, special, spot, and selected item inventories.

(2) Ascertain the need for movement and relocation of stocks. Detect and report operational practices and conditions that affect inventory reliability. Coordinate corrective actions with appropriate activities.

(3) Direct or conduct location surveys.

d. Logistics Data Management Office (LDMO) will—

(1) Receive and control all master catalog and management data from LOGSA and the NICPs to update the accountable record. Receive and control the distribution of the compact disk products, Federal Logistics data (FEDLOG), furnished by the Defense Logistics Service Center (DLSC) for use by the various SAs.

(2) Schedule accomplishment of all catalog changes to the accountable record to ensure effective change dates are met. Notify appropriate SA elements for an update of files, records, and stock identification.

(3) Monitor processing of logistical reassignment storage information documents (DIC DZC) from NICPs affected by logistical transfers, capitalization, or de-capitalization, indicating retention of transfer of assets as applicable. Coordinate with NICPs to determine whether all DIC DZCs have been received and report discrepancies to the NICP for appropriate action to protect the Army-owned assets.

(4) Review, analyze, coordinate, process, and control all item data changes to the accountable record and conduct research necessary to correct rejected data. Advise of deficiencies.

(5) Review all items with on-hand balances identified with invalid NSNs and take appropriate action with applicable Army NICPs or other Service/agency NICPs.

(6) Research the compact disk products, FEDLOG, and catalogs to verify NSNs found during location surveys or inventories to assure correct additions are posted to the accountable record.

(7) Refer to LOGSA all errors and deficiencies found in the Army's data file or accountable record concerning supply management data (for example, unit price, materiel category (MATCAT) codes, unit of issue, manager, or recoverability code).

(8) Maintain liaison with Army NICPs and other Service/agency NICPs that initiate changes affecting the accountable record.

(9) Comply with provisions of DA Pam 708-2 in assigning, processing, and controlling management control numbers (MCNs).

Appendix E

Minimum Inventory Training Subjects

E-1. SAs

a. Relationship of the inventory organization to the total supply operations.

b. Location survey.

c. Location audit.

d. Physical inventory.

(1) Controls established to assure program objectives are realized.

(2) Scheduling inventories for physical count and reconciliation.

(3) Physical counting.

(a) Single-count method (if applicable).

(b) Two-count method (if applicable).

- (c) Noting storage deficiencies.
- (4) Reconciling physical count with accountable balances.
- (5) Processing adjustments to local records.
- (6) Postcount validation.
- (7) Physical inventory performance reporting.
- e. Zero balance flashers.
- f. Denial research.
- g. Logistics data management operations.
- h. Quality control of inventory related transactions.
- i. Logistical transfers.
- j. RODs related to shipping.
- k. Causative research.

E-2. NICPs

- a. Relationship of inventory organization to total supply operations.
- b. Controls established to assure program objectives are realized.
- c. Establishing reconciliation controls between the SA and the NICP.
- d. Reconciliation of SA records and counts with the NICP asset records.
- e. Suspense account.
- f. Adjustments.
- g. Causative research.
- h. Products and histories available for use in conducting research.
- i. Physical inventory performance reporting.
- j. Receipt processing and controls.
- k. Denial research.
- l. Location audit.
- m. Zero balance flasher.
- n. Update of logistics management data in the item master data record.
- o. Quality control of inventory related transactions.
- p. Logistical transfers.
- q. Management control number—inventory (MCN-I).
- r. RODs related to receiving.
- s. Loan, lease, and bailment.
- t. Unissuable assets.
- u. Inventory systems process.
- v. Materiel release order processing.

Appendix F

Uniform Basic List of Sensitive Items

F-1. Missiles and rockets (category I (code 1)).

Non-nuclear missiles and rockets in a ready to fire configuration (for example, Javelin, Redeye, Stinger, Dragon, light antitank weapon (LAW), and AT4). This category also applies in situations where the launcher tube and the explosive rounds, though not in a “ready to fire” configuration, are jointly stored or transported.

F-2. Arms

- a. *Category II (code 2).* Light automatic weapons up to and including .50 caliber.
- b. *Category III (code 3).*
 - (1) Launch tube and gripstock for Stinger missile.
 - (2) Launch tube, sight assembly, and gripstock for Redeye.
 - (3) Tracker for Dragon missiles.
 - (4) Mortar tubes excluding the 4.2 mortar.
 - (5) Grenade launchers.
 - (6) Rocket and missile launchers, unpacked weight of 100 pounds or less.
 - (7) Flamethrowers.
 - (8) Launcher or missile guidance set or the optical sight for the TOW.

c. Category IV (code 4).

- (1) Shoulder-fired weapons, other than grenade launchers, not fully automatic.
- (2) Handguns.
- (3) Recoilless rifles up to and including 90mm.

(4) Major parts for arms (such as, barrels and major subassemblies) will be afforded at least the same protection as Category IV arms. The frame or receiver of an arm constitutes a weapon. Therefore, it must be protected according to the correct category (for example, the receiver of a .30 caliber machine-gun will be stored as a Category II arm).

F–3. Ammunition and explosives

a. Category I (codes 1, 5, and 6). Explosive warheads for category I missiles and rockets (para F–1 above).

b. Category II (codes 2 and 8).

- (1) Hand or rifle grenades, high explosive, and white phosphorus.
- (2) Mines, antitank, or antipersonnel (unpacked weight of 50 pounds or less each).
- (3) Explosives used in demolition operations (for example, C–4, military dynamite, and TNT).

c. Category III (code 3).

(1) Ammunition, .50 caliber and larger, with explosive filled projectile (unpacked weight of 100 pounds or less each).

- (2) Grenades, incendiary, and fuses for high explosive grenades.
- (3) Blasting caps.
- (4) Supplementary charges.
- (5) Bulk explosives.
- (6) Detonating cord.

d. Category IV (code 4).

- (1) Ammunition with nonexplosive projectile (unpacked weight of 100 pounds or less, each).
- (2) Fuses, except for paragraph c(2) above.
- (3) Grenades, illumination, smoke, and CS/CN (tear producing).
- (4) Incendiary destroyers.
- (5) Riot control agents, 100-pound package or less.
- (6) Ammunition for weapons in paragraph F–2, above, not otherwise categorized.

F–4. Narcotics and drug abuse items

Narcotics and drug abuse items are sensitive items.

F–5. Controlled cryptographic items (CIIC–9)

See DOD 5100.76–M for an official list of sensitive items. See AR 380–40 and DA Pam 25–380–2 for further information on controlled cryptographic items (CCIs).

Appendix G

Minimum Research Requirements for Potential or Actual Physical Inventory Adjustments

G–1. Minimum research requirements

Use table G–1 to determine the minimum research requirements for inventory adjustments.

Table G–1

Minimum research requirement for potential or actual physical inventory adjustments

CONDITION OF DISCREPANCY	REQUIRED RESEARCH		
	Postcount validation	Preadjustment research	Causative research
1. ≤ \$1,000	No	No	No
2. > \$1,000 but ≤ \$5,000 and ≤ 10 percent unit variance	Yes	No	No
3. > \$1,000 but ≤ \$5,000 and > 10 percent unit variance	Yes	Yes	No
4. > \$5,000 but ≤ \$16,000 and ≤ 25 percent unit variance	Yes	Yes	Sample
5. < \$5,000 but ≤ \$16,000 and > 25 percent unit variance	Yes	Yes	Yes

Table G-1
Minimum research requirement for potential or actual physical inventory adjustments—Continued

6. > \$16,000	Yes	Yes	Yes
7. Controlled Inventory Item	Yes	Yes	Yes ¹
8. Suspected Fraud, Waste, or Abuse	Yes	Yes	Yes
9. Annual Statistical Sample for all variances > \$100	Yes	Yes	Yes

Notes:

¹ Sample causative research instead of complete causative research for pilferable item discrepancies with a value from \$01 to \$2,500 may be accomplished to serve as a deterrent to fraud, waste or abuse and to identify systemic inventory and security problems. Causative research will be conducted on all adjustments (gains and losses) of classified and sensitive items regardless of dollar value of item or extended dollar value of adjustment. Causative research will be conducted on all adjustments (gains and losses) of pilferable items with an extended value of greater than \$2,500, and all adjustments with an extended value of greater than \$16,000 or greater than 25 percent unit variance and greater than \$5,000.

G-2. Causative Research Sampling Plan (General)

- a. Sampling research will be performed on a random selection of discrepant items.
- b. Variances will be formed into homogeneous lots.
- c. At the beginning of each lot formation period (quarterly), an estimate of each research lot size will be made. Sample size will be determined from the estimate. The items to be researched will be determined by random selection each month and research will be immediately stated on selection of the items.

G-3. Variances up to \$2,500 for pilferable items

For pilferable item variances not greater than \$2,500, research lot formation quarterly as shown in table G-2.

Table G-2
Inventory variances for pilferable items with unit cost up to \$2,500

Lot size	Sample size
1 – 9	100 percent
10 – 1,000	10 or 10 percent whichever is greater
Over 1,000	100

G-4. Variances over \$5,000

For variances greater than \$5,000, research lot formation quarterly as shown in table G-3.

Table G-3
Inventory variances for items with a unit cost of over \$5,000

Lot size	Sample size
1 – 9	100 percent
10 - 200	10 or 50 percent, whichever is greater
Over 200	100

G-5. Acceptable random selection method

Steps listed below illustrate a sample selection for an example in which the variance dollar value is up to \$2,500 for pilferable items. The same steps apply to any causative research sampling selection.

- a. Estimate lot size (for example, 550).
- b. Determine sample size (for example, 55, from para G-2 above).
- c. Divide lot size by sample size and drop fractions (for example, $550/55=10$). This means every 10th variance will be sampled.
- d. Select the starting point at random (for example, select a random number from 1 through 10).
- e. Add the number obtained in paragraph c above to the number obtained in paragraph d to obtain the second variance to be researched. Select other items by adding the number obtained in paragraph c above to the item

previously selected (for example, if 4 is selected in para *d* above, select the 4th item on a list of variances, the 14th, and the 24th and continue until 55 discrepant items have been selected).

f. Select samples of gains and losses in the same proportion in which they occur (for example, if 60 percent of all the variances in a period are gains, 60 percent of the variances sampled should be gains).

G-6. Use in analysis

a. Based on the results of causative research, a tabulation will be made showing the major causes found in AR 725-50 (app C, para C-21, and table C-37) and the percentage of total variances researched which were attributed to each major cause.

b. If a discrepant item had more than one of the major causes, only the most significant cause will be tabulated.

c. Corrective action will be initiated for those causes with the highest percentages.

Appendix H Quality Control Sampling Tables

H-1. Quality control sampling

Use table H-1 to determine the size of the sample inventory.

Table H-1
Quality control sampling

Lot size	Normal		Reduced			Tightened	
	Sample size	Accept number	Sample size	Accept number	Reject number	Sample size	Accept number
2-8	All	0	5	0	1	All	0
9-15	13	0	5	0	1	All	0
16-25	13	0	5	0	1	20	0
26-50	13	0	5	0	1	20	0
51-90	13	0	5	0	1	20	0
91-150	13	0	5	0	1	20	0
151-280	50	1	20	0	2	80	1
281-500	50	1	20	0	2	80	1
501-1,200	80	2	32	1	3	80	1
1,201-3,200	125	3	50	1	4	125	2
3,201-10,000	200	5	80	2	5	200	3
10,001-35,000	315	7	125	3	6	315	5
35,001-150,000	500	10	200	5	8	500	8
150,001/OVER	800	14	315	7	10	800	12

Notes:

¹ Under reduced inspection, if the number of errors found in the sample falls between the accept number and the reject number, accept the lot and refer to switching procedures, see paragraph H-2c, below.

H-2. Switching procedures

a. Normal to tightened—when two out of two, three, four, or five consecutive lots have been rejected on the normal inspection, use of tightened plan begins with next consecutive lot regardless of when it is scheduled.

b. Tightened to normal—when five consecutive lots have been accepted on the tightened inspection. Use of the normal plan begins with next consecutive lot, regardless of when scheduled.

c. Reduced to normal—use of the normal plan begins with the next lot when either a lot is rejected or the number of errors found in the sample falls between the accept number and the reject number.

d. Normal to reduced—when the preceding 10 lots have been on the normal inspection, and none has been rejected, and the total number of errors in these 10 lots is equal to or less than the following limit numbers:

Table H-2
Switching procedures sampling

Total number of sample units from last 10 lots*	Limit number
200–319	0
320–499	0
500–799	2
800–1,249	4
1,250–1,999	7
2,000–1,349	14
3,150–4,999	24
5,000–7,999	40
8,000–12,499	68
12,500–19,999	110

Notes:

¹ If the last 10 lots did not contain 200 sample units, more than 10 lots may be used for the calculation provided that the lots are the most recent ones in sequence; that they have all been on normal inspection; and that none was rejected.

Glossary

Section I Abbreviations

ACALA

Armament and Chemical Acquisition and Logistics Activity

ADP

automatic data processing

AMC

U.S. Army Materiel Command

AMCL

Approved MILSTRAP Change Letter

AMDF

Army Master Data File

AQL

acceptable quality level

ASDA

accountable supply distribution activity

ASI

asset status imbalance

ARMS

Army Master Data File Retrieval Microform System

BII

basic issue item

CAM

Central asset management

CCI

controlled cryptographic items

CCISP

Controlled Cryptographic Item Serialization Program

CIIC

controlled inventory item code

CIAB

Central Inventory Accounting Branch

COB

close of business

COMSEC

communications security

CONUS

continental United States

DBOF

Defense Business Operating Fund

DCS, G-4

Deputy Chief of Staff, G-4

DIC

document identifier code

DLA

Defense Logistics Agency

DLMSO

Defense Logistics Management Standards Office

DLSC

Defense Logistics Service Center

DOD

Department of Defense

DRMO

Defense Reutilization and Marketing Office

EOD

end of day

EODR

end of day reconciliation

FAR

Federal Acquisition Regulation

FEDLOG

Federal logistics

FLIPL

Financial Liability Investigation of Property Loss

FY

fiscal year

GOCO

Government-owned, contractor-operated

GSA

General Services Administration

HQDA

Headquarters, Department of the Army

IFF

identification, friend or foe

ILSC

Industrial Logistics System Center

IPE

industrial plant equipment

ISA

installation supply activity

LAW

light antitank weapon

LDMO

Logistics Data Management Office

LOGMARS

logistics applications of marking and reading symbology

LOGSA

Logistics Support Activity

LRA/M

location record audit/match

MAC

U.S. Army Munitions and Armament Command

MACOM

major Army command

MATCAT

materiel category code

MCA

management control activity

MCN

management control number

MCN-I

Management Control Number—Inventory

MIL-STD

military standard

MILSTRAP

Military Standard Transaction Reporting and Accounting Procedures

MILSTRIP

Military Standard Requisitioning and Issue Procedures

MRD

Materiel Release Denial

MRO

materiel release order

MSC

major subordinate command

NICP

national inventory control point

NSN

national stock number

OER

officer evaluation report

OSC

Operations Support Command

Pam

pamphlet

PD

priority designator

PICD

physical inventory cutoff date

PM

project, program, or product manager

PSC

physical security classification (code)

RCS

requirement control symbol

RICC

reportable item control code

ROD

report of discrepancy

RP

record position

RPO

radiation protection officer

SA

storage activity

SCIC

special control item (code)

SDS

standard depot system

SICC

service item control center

SIMS-X

Selected Item Management System—Expand

SMCA

Single Manager for Conventional Ammunition

TPF

total package fielding

UMMIPS

Uniform Materiel Movement and Issue Priority System

Section II

Terms

Acceptable accuracy level

An accuracy level set as a minimum standard for evaluation of records.

Accountable record

A formal stock record account for receipt, storage, and issue of materiel. The accountable record contains standard catalog data, on-hand balance data by owner/manager, SA, and condition code, and accountable document history files. Accountable records may be located at the inventory control point/or SA for wholesale assets.

(1) Inventory control point. The accountable record for all assets not physically located at a storage site, or assets in transit between storage sites. Includes assets on loan or at a contractor for repair.

(2) SA. The accountable record for all assets physically located at that SA. It includes standard catalog data and the on-hand quantity by owner/manager, by condition code, and by location.

Accuracy level

The percentage of agreement between a group of balance records and actual assets on-hand.

Adjustment, accounting error

The accounting transaction used to correct a recorded balance that cannot be corrected by reversal of an original physical inventory adjustment. Included are adjustments resulting from—

- (1) Reidentification of stock.
- (2) Catalog data changes.
- (3) Ownership, purpose, and condition code changes.
- (4) Condemnation of materiel resulting from rebuild and surveillance programs.
- (5) Type of pack changes.
- (6) Standard price changes.
- (7) Location record audit/match.
- (8) Erroneous capitalization/decapitalization actions. These adjustments are identified by DIC D8B and D9B. They are not physical inventory adjustments. Supply system managers will uniquely code and monitor them.

Adjustment, physical inventory

The accounting transaction used to correct a recorded balance that disagrees with a validated physical count. The count actions that show a true gain or loss are normally identified by DICs D8A and D9A, and are the result of—

- (1) A scheduled or unscheduled inventory.
- (2) Materiel release denial.
- (3) Excluded are adjustments resulting from—
 - (a) Reidentification of stock.
 - (b) Catalog data changes.
 - (c) Ownership, purpose, and condition code changes.
 - (d) Condemnation of materiel resulting from rebuild and surveillance programs.
 - (e) Type of pack changes.
 - (f) Standard price changes.
 - (g) Location record audit/match.
 - (h) Erroneous capitalization/decapitalization actions.

Asset record

A formal stock record located at an inventory control point for receipt, storage, and issue of materiel. This record contains standard catalog data, on-hand balance data by owner/manager, SA and condition code, and accountable document history files. The asset record is the accountable record for assets not physically located at a storage site, or assets in transit between storage sites (for example, assets on loan or at a contractor for repair).

Automatic Information System (AIS)

Any equipment or interconnected system or subsystems of equipment that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission or reception of data and includes computer software, firmware, and hardware.

Automatic Identification Technology (AIT)

AIT enables and facilitates data collection and transmission to automated information systems (AISs). It encompasses a variety of read-write data storage technologies that can be used to capture asset identification information. Technologies include bar codes, magnetic stripes, integrated circuit cards, optical memory cards and radio frequency (RF)

identification tags. AIT includes the hardware and systems required to create the storage devices, read the information stored on them and integrate that information with other data. Use of AIT improves the Army's logistics business process and enhances war fighting, by making collection of the initial source data easier, reducing processing times and improving data accuracy.

Causative research

An investigation of discrepancies (such as, gains and losses) consisting of, as a minimum, a complete review of all transactions to include supporting documentation, catalog change actions, shipment discrepancies, and unposted or rejected documentation occurring since the last completed inventory. The purpose of causative research is to identify, analyze, and evaluate the cause of inventory discrepancies with the aim of eliminating repetitive errors. Causative research ends when the cause of the discrepancy has been discovered or when, after review of the transactions, no conclusive findings are possible.

Controlled cryptographic item

A secure but unclassified sensitive and controlled COMSEC equipment end item, assembly, or component that embodies classified cryptographic logic; designated CCI and approved by the National Security Agency (NSA) for safeguarding classified information, or authenticating the identification, friend or foe (IFF).

Controlled inventory items

Items with characteristics that require they be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safeguard or integrity. Controlled items in descending order of degree of control are—

- (1) Classified items. Materiel that requires protection in the interest of national security.
- (2) Sensitive items. Materiel that requires a high degree of protection and control because of statutory requirements or regulations (such as, narcotics and drug abuse items, precious metals, items that are of a high value, highly technical, hazardous nature, and small arms, ammunition, explosives, and demolition materiel).
- (3) Pilferable items. Materiel having a ready resale value or application for personal use. Therefore, they are especially subject to theft.

Controlled inventory item code

A one-position alphanumeric code that indicates the security classification, security risk, or pilferage controls required for storage and transportation of DOD assets.

Credit balance

An item that has a negative balance on the owner manager's record.

End of day reconciliation (EODR)

A daily reconciliation between the SA accountable record and the national inventory control point asset record for all active record on-hand balances (such as, stock numbers that had any transactions affecting record balances) daily. The storage activity will submit the daily closing on-hand balance to each affected NICP using DIC DZH, Location Reconciliation Request, citing Type of Location Reconciliation Request Code 1 in rp 7.

Frozen stock

Stock identified as a discrepant balance against which no materiel release orders (MROs) are allowed to be processed.

Inventory

A physical verification of recorded balances of stocked items within a SA.

Inventory prioritization model

A model used to set priorities for physical inventories of assets that otherwise have not been selected for inventory, which include assets that are not controlled, no manager requests, no denials, no audit mismatches. The model will be run by the SA quarterly to set inventory priorities based on characteristics (such as, weapon system significance/end item code, recorded inventory quantity and extended dollar value, demand quantity, demand frequency, proximity to next replenishment action or maintenance production line induction, and date of last inventory).

Inventory reconciliation

A match between a physical count and the accountable record. The accountable record is adjusted if it disagrees with the physical count.

Inventory, scheduled

A physical inventory that is to be conducted within a specified period of time according to an established plan, with

complete controls of in-float transactions. The items will be selected on a specific basis and will be scheduled in a prioritized sequence.

Inventory, unscheduled

A physical inventory conducted on a specific item as a result of an unexpected physical inventory requirement (such as, an item manager request, a locally initiated request, a materiel release denial, location survey error, or a location record audit mismatch). Unscheduled inventories may incorporate fewer in-float controls in order to expedite completion. A “spot” inventory is the result of a total or partial materiel release denial.

Location audit program

This program consists of actions required to assure compatibility between the assets in storage, locator files, accountable records, and asset records. Location audit program includes a match of quantity. This program is in two phases:

(1) *Location survey.* A physical verification, other than actual count, between actual assets and recorded location data to ensure that all assets are properly recorded as to location, identity, condition, unit of issue, and other key elements of catalog data. The location survey should precede the location record audit/match.

(2) *Location record audit/match.* A match between valid SA accountable records and the inventory control point assets records, in order to identify and correct situations where items are on the accountable record but not on the asset record, items are on the asset record but not on the accountable record, or common elements of catalog data do not match. Research of mismatches, including inventories when required, must result in corrective action. Normally, the asset record will be adjusted to match the accountable record for quantity mismatches. In-float transactions must be considered. The term “location record audit” is a record to record comparison that identifies differences in catalog data and record/no record situations. The term “location record audit/match” includes a comparison of on-hand quantities.

Major inventory variance

Total dollar value of the item overage or shortage for the stock number exceed \$5,000 or a variance of any value for controlled items.

Physical inventory cutoff date (PICD)

A cutoff date established for reconciling the accountable record balance. This date serves the reference point for considering the relationship between pre-inventory/post-inventory transactions and the physical count quantity to determine if the count is in agreement with the inventory record balance.

Post inventory transaction

Any transaction, causing an increase or decrease to the accountable stock record balance, dated after the established PICD.

Pre-inventory planning

This planning is conducted prior to the physical inventory cutoff date to reduce the potential for inventory inaccuracies through the following:

(1) Actions to ensure location integrity by resolving such situations as unbinned/loose materiel; questionable identity of materiel in location; multiple conditions (shelf-life including date of pack/date of expiration); and/or multiple lots stored in a single location.

(2) Document cleanup to ensure to the extent possible that adjustments and transaction reversals are posted to the record, in-process receipts are stored in location, and related transactions are transmitted to the NICP prior to the established PICD.

Pre-inventory transaction

Any transaction causing an increase or decrease in accountable stock records, dated prior to the established physical inventory cutoff date.

Project condition/count 5

A verification of balances of five NSNs. For general supply NSNs, all recorded locations for each NSN will be counted; for ammunition NSNs, one ammunition lot for each NSN will be selected and one location from each lot will be verified. The condition code (obvious errors), quantity, and location will be verified; storage deficiencies, if any, will be noted.

Research, physical inventory

An investigation of potential or actual discrepancies between physical count and recorded balances. The purpose of research is to determine the correct balance to determine the cause of the discrepancy. There are three types of research:

(1) *Postcount validation.* A comparison of physical count with potential recorded balance or another count, with

consideration of transactions that have occurred recently. The purpose of postcount validation is to determine the validity of the count. Postcount validation research ends when the accuracy of the count has been verified, any necessary recounts have been taken, or the discrepancy is \$800 or less.

(2) Preadjustment research. An investigation of potential discrepancies that involves the consideration of recent transactions (30 calendar days or less) and verification of catalog data. The purpose of preadjustment research is to determine the correct balance. Preadjustment research ends when the balance has been verified or the adjustment quantity has been determined.

(3) Causative research. See the definition under causative research (above).

Storage activity (SA)

The organizational element of a distribution system that is assigned responsibility for the physical handling of materiel incident to receipt and inspection, its care, surveillance, and physical security in storage areas, and its issue.

Section III

Special Abbreviations and Terms

This section contains no entries.

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